EUROPE'S CURRENCY CRISIS

Italian debt — *A bubble bath of numbers* — Page 2

UK economy — *Two years' pain – for nothing?* — Page 4

Staggering sterling — *A predictable disaster* — Page 19

Body Shop — *The pin-striped dinosaurs bite back* — Page 21

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday September 17 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

UN food supplies dwindle to three days in Sarajevo

The United Nations High Commissioner for Refugees warned that conditions in the besieged Bosnian city of Sarajevo were worsening and UN stores had dwindled to three days' food supply since the suspension of humanitarian flights. Renewed air attacks prompted calls for the urgent creation of a no-fly zone over Bosnia. But international mediators in Geneva for fresh talks said there was a new mood in Belgrade which could provide better prospects for peace. Page 7

Lufthansa, the German national carrier, filed a joint qualifying bid for Continental Airlines, the bankrupt US carrier, with Marvin Davis, the Californian financier. Page 21

Body Shop International, natural cosmetics company, saw its shares drop 40 per cent following a warning that profits for the six-months to end August would fall to not less than £8m ($15.8m), compared with £9.1m the year before. Page 21

Mitterrand to work on despite cancer

French president François Mitterrand is suffering from prostate cancer, although doctors believe he is in no danger, but the announcement sparked fresh speculation about the 75-year-old president's political future. He is expected to carry out his full presidential duties as normal. Page 20

Gota, Swedish holding company which owns Gota Bank, Sweden's fourth largest commercial bank, said it had suspended all payments due to funding problems. Its liabilities amount to about Skr3.5bn ($632m). Page 21

Stalemate in tariffs row: Talks between the US and China, aimed at heading off the threat of a trade war over access for US goods, ended in failure. Washington said China could not be allowed to run up a huge trade surplus while keeping its own markets closed through tariffs, import licensing and other barriers. Page 8

Mitsubishi Motors of Japan and Daimler-Benz are close to an agreement under which Mitsubishi will supply the German vehicle group with diesel engines for light trucks. Page 8

Children's death toll: Some 50m of the 450m children in south Asia will die by the end of this decade unless health facilities are improved, the UN Children's Fund said.

Austrian banking move: The Austrian government will raise its withholding tax on savings and dividends next year to approximately 20 per cent, clearing the way for outlawing the country's controversial anonymous bank accounts. Page 7; Austria still profits, Page 8

Fiat franchise: Automotive and Financial Group, the motor retailer controlled by Octav Botnar, succeeded in gaining the Fiat group franchise for 25 of its dealerships. Page 11

No aid for reactors: Crumbling nuclear reactors in eastern Europe and the former Soviet Union are unlikely to get financial aid from OECD countries this winter. Page 7; Plant to stay closed, Page 11

India lifts fuel prices: India raised petroleum prices by 18 per cent as part of its drive to reduce government subsidies and the fiscal deficit. Only kerosene, used for cooking by the very poor, escaped the increases. Page 10

Mideast accord: Israeli and Syrian officials made significant progress during talks in Washington towards agreeing a joint statement of principles that would form the basis of substantive peace negotiations between them. Page 10

Hostel blaze kills 11: At least 11 people were killed and 15 injured when fire gutted a hostel for 35 homeless and mentally ill people in The Hague, Netherlands. Two firefighters and a policeman were among the injured.

Concerts banned: Italy banned operas and concerts at Rome's Baths of Caracalla, saying vibrations, stage lighting and heavy electrical cables were destroying the 1,800 year-old ruins.

Hitler burial mystery: Archive film, believed to be from KGB secret police files now being declassified; showed a corpse said to be that of Adolf Hitler lying in the yard of the Berlin Chancellery. If authentic, the film throws doubt on reports that Hitler's body was destroyed by German officers after he committed suicide.

Sterling plummets after UK suspends ERM membership

By Philip Stephens in London and Our Foreign and Economics Staff

BRITAIN was forced last night to abandon its commitment to hold sterling's value against the D-Mark after an unprecedented 5-point rise in interest rates to 15 per cent failed to avert a full-scale sterling crisis.

The announcement that sterling's membership was being "suspended" in the European exchange rate mechanism brought an acknowledgment from within the UK government that the pound would be devalued against the D-Mark before rejoining the ERM.

The move accelerated sterling's fall below its ERM floor which had begun after the close of European trading. The pound closed in New York at DM2.6951, more than 8 pfennigs below its floor of DM2.7780, and at $1.7855, 8 cents lower than 24 hours previously.

The decision plunged Mr John Major's government into an extraordinary political crisis, undercutting the central plank of the prime minister's economic strategy. Mr Major has repeatedly insisted that he would never devalue the pound.

Mr Norman Lamont, the chancellor of the exchequer, said the suspension meant that the second of the two interest rate rises announced during yesterday's turmoil would not come into effect. Base rates will stand at 12 per cent this morning.

It was not immediately clear whether other embattled currencies in the ERM would follow suit. Mr Theo Waigel, the German finance minister, said last night he expected the suspension to be restricted to the pound and that it would rejoin the ERM after a short period.

Earlier in the day there were strong rumours that the Bank of Italy was preparing a similar move for the lira by letting it float. The central bank issued a formal denial but later Mr Carlo Azeglio Ciampi, the governor, met Mr Giuliano Amato, the prime minister, along with the government's full economic team. They were believed to have prepared an Italian reaction to any such British move.

With the peseta in the same wide band of the ERM as sterling had been, the outlook is likely to be strongly affected by the British suspension. The Madrid government, while making no immediate comment, had previously rejected devaluation.

As European Community officials gathered in Brussels to discuss the turmoil, there was speculation among Conservative MPs that Mr Lamont might be forced to resign. But the initial signals from 10 Downing Street were that he would remain in office.

During an extraordinary day which saw the Bank of England spend £7bn from its foreign currency reserves in a futile attempt to buttress the pound, Mr Major summoned senior colleagues to a series of crisis meetings.

As Whitehall was engulfed by an atmosphere of crisis, Mr Robin Leigh-Pemberton, governor of the Bank of England, joined ministers in talks over whether the government would be forced to abandon the central plank of its anti-inflation strategy – the maintenance of sterling's DM2.95 central rate in the ERM.

Mr Major had staked his government's political reputation on a refusal to devalue the pound. A retreat now will seriously undermine his authority. But with unofficial estimates that the Bank of England may have spent more than a quarter of its reserves in a single day, there was no certainty among ministers that the line could be held until after Sunday's French referendum on the Maastricht treaty.

The speculation against the present ERM parities also threatened to spark a political crisis within the European Community, with Britain blaming the Bundesbank for fuelling the speculation against the pound.

Mr Lamont was last night hoping that sterling would rejoin the ERM on Monday. There is no precedent, however, for a currency suspending its ERM membership and the UK government was last night discussing the move with the EC monetary policy committee.

Britain's parliament, currently

Continued on Page 20

Photograph by Tony Andrews

Urgent action: Robin Leigh-Pemberton, governor of the Bank of England, hurrying yesterday into the Treasury. Intervention by the Bank brought only a respite for troubled sterling

Germany may offer interest rate deal

By Andrew Fisher in Frankfurt and Quentin Peel in Bonn

THE BUNDESBANK said last night that it could not comment on whether today's regular council meeting would decide to make a further German interest rate cut after the suspension of sterling from the European Monetary System.

"We shall have to wait for the meeting," a Bundesbank spokesman said last night. Speculation was rife yesterday, ahead of the decision on sterling, that a further realignment could be accompanied by further cuts in German interest rates.

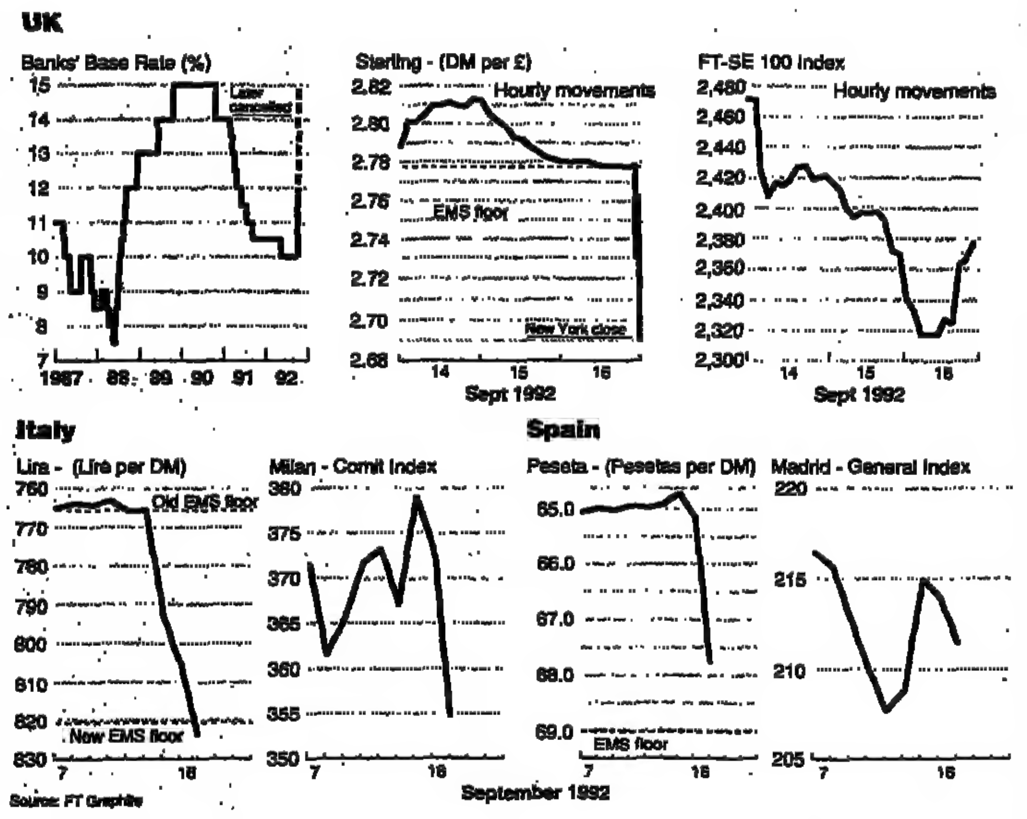
However, the Bundesbank has to weigh against such hopes the strong feeling in Germany that it should continue to act in the interests of domestic monetary stability. Germany's high interest rates reflect the central bank's determination to curb inflation in the wake of the economic pressures caused by reunification.

After a chaotic day on foreign exchange markets, culminating in the suspension of sterling within the exchange rate mechanism, economists and traders looked ahead to today's meeting.

"We need a more comprehensive realignment," said Mr Hermann Remsperger, chief economist at BHF-Bank in Frankfurt. "For years, the illusion has been built up that exchange rates in the European Monetary System could remain fixed."

Mr Richard Reid, economist at UBS Phillips & Drew in Frankfurt, said: "I think the Bundesbank will consider cutting rates further as part of a broader realignment. It is obviously

Continued on Page 20



Source: FT Graphite

Europe's market turmoil

By Our Foreign and Economics Staff

STERLING'S membership in the European exchange rate mechanism was suspended yesterday after the largest assault by currency speculators on the European ERM since its formation in 1979.

The move concluded a day of extraordinary confusion on European foreign exchange markets, and allowed the government to rescind the second of two interest rate increases it had announced during the day.

The Bank of England had earlier announced rises in the benchmark minimum lending rate from 10 per cent to 12 per cent and then to 15 per cent.

The turmoil came after foreign exchange traders pounced on the uncertainty surrounding next Sunday's French referendum on the Maastricht treaty on European union to increase speculation about an imminent realignment of the European ERM.

An emergency meeting of the European Community's monetary committee – with powers to decide on currency realignments – was also called last night after discussions among senior economic policy makers in Europe. Attempts by central banks to discourage the speculators had failed to make an impact.

The announced 5 percentage point rise in UK interest rates and huge purchases of sterling by the Bank of England left the pound beneath its permitted floor against the D-Mark in the ERM. Other big interventions in Europe did not alleviate renewed pressure on the Italian lira – devalued by 7 per cent only at the weekend – and the peseta.

Although the pressure was highest in London, most of Europe's financial capitals were in turmoil:

● In London, overnight money market rates spiked to 100 per cent, while the one-month rate

Continued on Page 20

STOCK MARKET INDICES

FT-SE 100:	2,378.5	(+8.3)
Yield	5.12	
FT-SE Eurotrack 100	1,053.63	(+1.94)
FT-A All-Share	1115.60	(-0.3%)
FT-A World Index	130.32	(-1.6%)
Nikkei	17,944.79	(-525.70)
New York:		
Dow Jones Ind Ave	3,319.21	(-8.11)
S&P Composite	419.92	(+0.15)

US CLOSING RATES

Federal Funds:	3 1/16%	(3 1/8%)
3-mo Treas Bills: Yld	2.941%	(2.972%)
Long Bond	99	(99 1/8)
Yield	7.327%	(7.317%)

LONDON MONEY

3-mo Interbank	14 1/2%	(10 3/4%)
Liffe long gilt future:	Sep 96 3/4	(Sep 96 31/32)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$20.60	(20.65)

Gold

New York Comex (Sep)	$349.8	(346.4)
London	$349.9	(346.35)

STERLING

New York :		
$	1.7855	(1.86155)
London:		
$	1.811	(1.8715)
DM	2.75	(2.78)
FFr	9.33	(9.4375)
SFr	2.3925	(2.46)
Y	226.25	(232.5)
£ Index	88.5	(90.9)

DOLLAR

New York :		
DM	1.51835	(1.49185)
FFr	5.1455	(5.056)
SFr	1.3195	(1.32)
Y	125.10	(124.37)
London:		
DM	1.5185	(1.4855)
FFr	5.1525	(5.0425)
SFr	1.321	(1.3145)
Y	124.95	(124.25)
$ Index	61.5	(60.6)
Tokyo close Y 124.3		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 16,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

CONTENTS

NEWS: THE ERM AND MAASTRICHT

Italy suffers further run on the lira

By Robert Graham in Rome

THE LIMITED breathing space afforded the Italian government by Monday's 7 per cent devaluation was wiped out yesterday by a sustained wave of speculation against the lira, forcing the currency below its D-Mark floor.

The plight of the lira in another chaotic day on the European currency markets – combined with a 5 per cent slide on the Milan bourse and a jump in overnight money rates to 50 per cent – led to rumours the Italian currency would be allowed to float.

Ahead of the suspension of sterling in the Exchange Rate Mechanism and the meeting later last night of the European Monetary Committee, the Bank of Italy denied the rumours. The cabinet for its part will meet this morning and is due to announce some emergency measures tackling spending along with an advance of the 1993 budget.

Late yesterday, Mr Carlo Azeglio Ciampi, the governor of the Bank of Italy, and Mr Lamberto Dini, the managing director, had a meeting at the prime minister's office with Mr Giuliano Amato, the prime minister, and his three economic ministers.

Although there was no comment on the meeting, it was at one level intended to demonstrate the cabinet and the Bank of Italy were co-ordinating closely after suggestions that Mr Ciampi was unhappy with the government's handling of Sunday's devaluation.

Earlier in the day Mr Amato went before the Chamber of Deputies to defend his controversial decision last Wednesday to seek emergency powers to handle the economy.

He insisted such powers were necessary for the executive to react in real time to a fast-moving crisis. However, he said he was willing to negotiate the terms on which such powers were granted by parliament and shifted the debate on to the need for a united front to adopt tough economic measures.

The lira's slide from its central position in the European Monetary System realignment agreed over the weekend of L810 against the D-Mark to L828 in late trading came despite heavy intervention by the Bank of Italy and the Bundesbank.

The lira also fell sharply against the dollar and yesterday at L1,219 was almost 12 per cent below its Friday fixing.

One banker said the lira's fall contained elements of sheer market hysteria, apart from the lure of speculative gains; but the pressure was also based on cold assessments that the 7 per cent devaluation had been insufficient.

Hopes among Italian officials that the troubles of sterling would distract attention proved groundless.

The one positive development yesterday was the approval by the Senate of a special decree granting the government authority to carry out reforms of pensions, health, regional administration and the civil service, the main causes for overspending in the public sector. The decree looks set to be endorsed by the Chamber of Deputies and this will enable the government to prepare in detail the 1993 budget.

The reforms are expected to provide savings of L23,000bn (£10.8bn) next year and L35,000bn in 1994.

The reforms will reduce state pensions and raise the pensionable age in stages from 55 years for women and 60 for men to 65 for both through a system of incentives.

It will introduce stricter management standards in public health while devolving more authority to regional authorities, delegate for the first time greater fiscal responsibility to local government and shake up the moribund Civil Service.

The vote showed the four-party government coalition holding together while the main opposition parties abstained.

Italians trace problems back to budget deficit

Haig Simonian on a constantly shifting figure

WITH the lira collapsing and Italian equities in apparent free fall, the focus has again shifted to the country's main source of its problems – the budget deficit.

Understanding the deficit is like taking a bubble bath in numbers: there are lots of them and they keep moving. The size of the figures stem from the low unit value of the lira and the magnitude of the state debt. Their constant changes derive from uncertainty even among experts as to how much Italy owes and the dynamics of shifting interest rates and inflation.

Rising prices after Sunday's devaluation are one of the reasons why even the latest set of forecasts, prepared each July by Italy's three economics ministries, are already in doubt. The cut in the lira's value will add about half a percentage point to this year's price rises, according to the Confindustria employers' federation.

Until last year Italy had been making some progress on controlling its vertiginous debt. In 1990 the so-called "primary deficit" – spending net of interest payments on the debt – was set to become positive, meaning government receipts would exceed spending, excluding the huge cost of debt servicing.

Expectations of a positive primary deficit have now been postponed to next year, according to Mr Giuliano Amato, prime minister. The blame lies largely with deteriorating state finances in 1991, which may mark a nadir in political responsibility for managing the debt.

The prospect of elections made ministers reluctant to take unpopular moves in the closing months of Mr Giulio Andreotti's government, even though it was apparent that assumptions of a lower deficit, made when the 1991 budget was presented in September 1990, were no longer valid.

As a result last year's deficit amounted to 10.7 per cent of GDP, while the total debt reached 104 per cent of GDP.

Failing remedial action, this year's figure would have reached at least L180,000bn (£81bn), equivalent to 11.8 per cent of GDP, while the total debt would have hit 108 per cent of GDP, according to the new government.

That was way above both the Andreotti government's original L127,800bn target and the revised L160,000bn released in March. If allowed to run unchecked the deficit would have reached more than 18 per cent of GDP in 1995, when the total debt would hit almost 141 per cent of GDP.

"Even the L180,000bn may no longer be valid," warns the chief economist at one of Italy's biggest banks. "It's difficult to say how much it has drifted but, 10 weeks from publication of the government's forecasts, we guess the figure is nearer L190,000bn owing to recent rises in interest rates and worsening economic conditions, which have lowered tax receipts."

Mr Amato's first step on coming to office was a L30,000bn emergency budget for 1992, bringing down this year's deficit to L150,000bn, or 9.9 per cent of GDP. But it is his next move which is most important.

The 1993 budget, to be unveiled shortly, requires swingeing spending cuts and new revenue raising measures. While economists predicted the total package would be worth L83,000bn last month, the rise in interest rates and economic slowdown has led to forecasts of at least L100,000bn now.

The increase in the expected size of next year's measures also stems from doubts about the efficacy of the emergency budget and the assumptions on which future years' forecasts have been based.

The emergency budget comprises extra revenue and lower spending. About L16,500bn will come from increased charges for services like driving licences and other permits.

But economists are doubtful about both the remaining components.

The government expects L7,000bn from privatisation, but with only four months left to run this year it is hard to see the full amount arriving by end-December. Bankers also doubt the government will make L7,000bn in spending cuts in view of rising political opposition within the coalition.

"We reckon of the L30,000bn total, only L20,000bn is certain. So our forecast for this year's deficit is L160,000bn, or around 10.5 per cent of GDP," says one economist.

ITALY'S FINANCIAL OUTLOOK
% of gross domestic product

	1992	1993	1994	1995
Budget deficit	9.9	14.4	16.7	18.2
With proposed measures	–	9.2	7.4	4.9
Public sector debt	106.2	116.2	128.2	140.9
With proposed measures	–	110.9	113.6	113.5

Source: Report by treasury, finance and economics ministries

Brokers yesterday on the Frankfurt stock exchange where share prices fell. See World Stock Markets

Peseta slides despite intervention

By Tom Burns in Madrid

SPAIN WAS braced for an interest rate rise yesterday as intervention by the central bank failed to prevent the peseta from depreciating by more than 4 per cent and becoming a perilously weak currency within the European *Exchange Rate Mechanism.*

Dealers in Madrid said it was now clear that the markets were moving on the peseta in the same way as they had acted against the lira and sterling.

The peseta, which has been at the ceiling of the ERM since it joined in 1989 within a 6 per cent band with a parity of Pta65 to the D-Mark, is now close to the floor.

By last night, the peseta had slipped to Pta68 against the DM and to within a point of its depreciation limit.

Because the peseta is a thinly-traded currency compared *with sterling, analysts believed* that the authorities would have to take a position on interest rates before the currency weakened further to its limit level.

Speaking in Berlin where he was attending a meeting of the Socialist International, Mr Felipe Gonzalez, the prime minister, said the peseta was resisting the crisis "fairly well" and that despite the "turbulence in the markets" there was still "a relative confidence in Spain".

However, he said the government was prepared to take "whatever measures have to be *taken*".

Although government statements over the past days have reiterated Spain's opposition to any devaluation, it was clear that the fate of the peseta was intimately tied to that of sterling.

"If the pound cannot hold any more then the peseta cannot either," said Prof Pedro Schwartz of economic consultants Nemura.

Dealers estimate that on Tuesday the monetary authorities spent up to $2bn in defending the peseta and that at least as much had been spent last week.

Spain has reserves of some $70bn but dealers felt yesterday a defensive strategy was untenable. "The way the markets are moving now the reserves could be blown very quickly indeed," said Mr Juan Cueto, of Gestemar, a Madrid financial services group.

Sterling move may ease pressure

By Andrew Fisher in Frankfurt and William Dawkins in Paris

THE SUSPENSION of sterling in the Exchange Rate Mechanism might relieve pressure for action by the German Bundesbank today, according to some bankers. This would especially be the case if other weaker currencies follow Britain's example.

The Bundesbank's policy-making council will hold its regular fortnightly meeting, four days after agreeing to trim both its Lombard and discount rates on Monday.

Mr Peter Pietsch, an economist at Commerzbank, said last night: "I wouldn't expect too much from the Bundesbank at its meeting."

He added: "If currencies have been suspended, it means that the problems are being solved by the weak currencies leaving the system. So there is no need for the Bundesbank to act."

If a currency suspends ERM membership rather than agreeing a realignment of exchange rates, the Bundesbank no longer has the obligation to intervene heavily to prop that currency up.

"I believe the Bundesbank has made its contribution. Now, it is other countries that have to move. The Bundesbank is no longer under pressure from the system," Mr Pietsch said.

"I don't think you can expect anything more from the Bundesbank," he added.

"The Bundesbank can't totally change its policy four days after agreeing to cut rates."

However, he expected the next few days to be nervous. The interest cuts decided by the Bundesbank on Monday were described by the central bank as its contribution to the solution afforded by the weekend realignment, which left the lira devalued in the EMS by 7 per cent.

The Bundesbank's money supply policies had been put at risk by the enormous volume of intervention needed last week to prop up the Italian currency.

Mr Hermann Remsperger, chief economist of BHF-Bank, said the decision of the UK government to suspend sterling from the ERM was a better solution than constant intervention which cost a good deal and achieved nothing in the end.

However, he could not say whether the Bundesbank would take any action to cut its interest rates further at today's meeting.

He noted that Monday's interest rate cuts had not been caused by domestic pressures - the Bundesbank still thinks German inflation is too high and money supply growth too rapid - but by external market forces and the resulting need to intervene heavily to support the lira last week.

In Paris, Britain's decision to leave the ERM could provide ammunition for France's anti-Maastricht campaign in the final days before the referendum on European monetary and political union.

Leading critics of the treaty like Mr Philippe Séguin, the Gaullist MP who has led the anti-Maastricht campaign, argue that monetary union could impose artificial restraints on countries' freedom to conduct their own monetary and economic policies.

They could seize on Britain's decision to pull sterling out of the ERM as a evidence that the current European Monetary System needs to be perfected before closer monetary co-operation can be made to work.

A tide of advertisements and publicity campaigns is sweeping the continent

Europe's governments resort to hard sell

By David Marsh, Alice Rawsthorn and Ian Rodger

EUROPEAN governments are turning to public relations managers to sell European union, a concept which once seldom needed marketing.

The continent-wide tide of advertisements, brochures and publicity campaigns to increase the popularity of the Maastricht treaty seems, in many cases, to be inspired less by idealism than by desperation.

The EC's regular Eurobarometer opinion surveys show majorities in favour of the treaty in most countries. Yet among the 12 EC members, as well as in the Nordic and Alpine states hoping to join the community later in the decade, individual voters are becoming increasingly sceptical about whether the treaty is good for them.

Governments are fighting a *psychological battle, says* Mr Svend Auken, a pro-Maastricht Danish deputy who up until spring was leader of the Social Democratic party. He was shocked to see 60 per cent of his party's members voting against the treaty in the country's referendum in June.

"The rhetoric of Europe no longer sells. Three years ago Europe had a good ring to it. It represented prosperity, the fall of the Berlin Wall. But in 1992 it spells Yugoslavia, racial turmoil in Germany and a Eurospeak further and further away from everyday realities."

According to Mr Philip Huckin, group account director at CME-KHBB, the London-based advertising agency which has just established a European branch network: "One of the problems about the EC and Maastricht is that there is a lot of ignorance."

He says advertising can be a useful tool to enable people to make more sound judgments, but adds that campaigns need to be conducted "sensitively" to avoid sparking anger among voters who believe taxpayers' money should be put to more constructive purposes.

This is a particular problem for Britain, whose electorate has traditionally been more sceptical about European integration than elsewhere in the community. Assuming France votes Yes on Sunday, the UK Foreign Office is pondering whether to step up promotional efforts in favour of Maastricht to accompany planned parliamentary ratification later this year.

Negative feelings about Maastricht have been clearly evident during the run-up to the French referendum. The French government drafted in Mr Jacques Séguéla, a prominent French advertising executive who is also a close confidant of President François Mitterrand, to orchestrate the Yes drive.

He devised a series of media advertisements focusing on the slogan *"L'Europe est adulte. Donnons-lui sa majorité"* (Europe has grown up. Let's give it a majority). The government set aside FFr25m (£2.6m) to spend – but then had to scrap plans for radio and TV campaigns after complaints from broadcasting authorities.

Press and poster advertisements went ahead as planned.

But, in its attempt to draw on extra media glamour, the French government has had to rely on support from a group of 300 celebrities – academics, actors, pop stars and industrialists – as well as on a big pre-poll pop concert.

The German government, preparing to push Maastricht ratification through parliament from October, will launch its own pro-treaty campaign next month.

Large advertisements will be carried in the German press on October 1 and 8, with special promotional "packages" prepared for radio stations. The Bonn press and information office, which is spending DM22.5m (£8m) on Euro-promotion this year, is also sending a 272-page brochure on European integration to 120,000 German executives and managers.

In view of growing popular opposition to abandoning the D-Mark, Bonn's campaign will have to tread particularly warily over the issue of economic and monetary union (Emu). An earlier advertising series aimed at increasing Emu's popularity ran into difficulties when a leading Bundesbank official complained that the campaign distorted the central bank's statements on the issue.

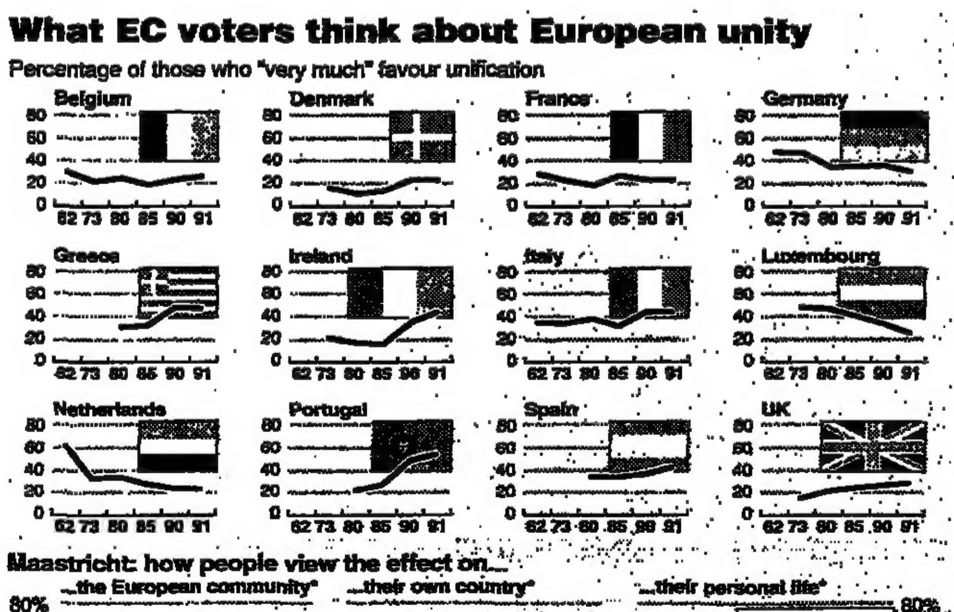
If promoting co-operation within the EC is a struggle, the task is even greater for governments on the outside. The Swiss government is facing problems in developing an effective information policy on the question of Switzerland's entry into the European Economic Area (EEA) next year and its application to join the community by 1995.

Both decisions will be subjected to referendums – and the campaign promises to be robust. Mr Jakob Kellenberger, state secretary for foreign affairs who has the job of negotiating Swiss adhesion to the community, admits that many Swiss view the EC with hostility.

The Berne government has decided on a SFr5.9m (£2.4m) EC information campaign which, although modest, is more aggressive than anything previously attempted.

The brochures produced by the campaign team carry phrases such as: "The EEA: a practical guide", or "Being Swiss in Europe: Yesterday, today and tomorrow".

Throughout Europe, not just in Switzerland, governments trying to push their voters down the trail of integration are emphasising practicality rather than vision.



Swedish interest rate reaches 500%

By Sara Webb in Stockholm

THE RIKSBANK, Sweden's central bank, raised its marginal lending rate to a staggering 500 per cent yesterday, the highest level ever, in an effort to crush rumours of a devaluation in the Swedish krona and reverse the huge outflow of capital seen earlier this week.

Mr Carl Bildt, the prime minister who heads a minority centre-right government, summoned leaders of all the main political parties to a meeting yesterday evening in an attempt to win support for proposed cuts in government spending and restore some calm to the markets.

The government said it was supporting the Riksbank's measures to defend the krona, and said a devaluation of the currency was out of the question given Sweden's commitment to a fixed exchange rate.

Following Britain's decision *last night to suspend sterling's membership of the Exchange* Rate Mechanism, economists in Sweden warned that the krona would probably continue to come under pressure today.

Dealers estimated that "tens of billions of kronor" flooded out of Sweden on Tuesday and yesterday morning.

At 8.30am the Riksbank raised its marginal rate from 20 per cent to 75 per cent, but this was insufficient to stem the outflow and it was forced to boost the rate again at 3.30pm to 500 per cent.

Mr Bengt Dennis, Riksbank governor, said the move had drawn back capital in the last half-hour of *trading*.

He said that the marginal rate would remain at a high level for "days rather than weeks" in order to support the krona.

The Riksbank's marginal rate applies to only the top tranche of the banking system's borrowings from the central bank.

Miyazawa attacks Bundesbank cuts

By Charles Leadbeater in Tokyo

THIS week's cut in German interest rates was insufficient, Mr Kiichi Miyazawa, the Japanese prime minister, said yesterday in a rare outspoken criticism of another country's economic policy.

Mr Miyazawa, speaking before the sharp rise in British rates, said the half-point cut in the German discount rate to 8.25 per cent would not be large enough to provide currency markets with long-term stability given the strength of the D-Mark.

He made his comments amid a welter of grim reports on the gathering downturn in the Japanese economy. Mr Miyazawa said Japan was unlikely to face pressure at this weekend's meeting of the Group of Seven finance ministers to follow the German cut.

His remarks put him at odds with Mr Yasushi Mieno, governor of the Bank of Japan, who yesterday welcomed the German move as a step towards calming international currency markets.

But Mr Mieno signalled opposition to a further cut in Japanese interest rates, which were lowered by half a point to 3.25 per cent in July.

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Mitterrand faces more speculation

By William Dawkins in Paris

FRENCH President François Mitterrand yesterday left hospital after surgery on a cancerous prostate gland to face a fresh wave of speculation over his future.

The president's doctors, announcing the discovery of cancerous tissue, reassured the public that prostate cancer is not dangerous in men of 75-year-old Mr Mitterrand's vintage. Business will be as normal, stressed his government.

"The president of the republic will exercise his functions to the full," said Mr Pierre Bérégovoy, the prime minister, who yesterday chaired the weekly cabinet meeting in Mr Mitterrand's absence.

Even so, all this has refuelled speculation that France is heading for political upheaval, irrespective of the outcome of Sunday's vote on European monetary and political union. Times have moved on since Mr Georges Clemençeau's quip that the French presidency was as superfluous as the prostate gland.

Physically, Mr Mitterrand will be able to go on much as before, according to medical reports.

The president will spend the next few days convalescing before returning to work as normal next week.

Politically, Mr Mitterrand's choices are much the same as they were before his operation. They hinge on the outcome of Sunday's vote, which was as unclear as ever yesterday.

The all-embracing powers accorded to the presidency under the fifth republic mean that he alone has the power to decide whether or not to stay, the timing of his departure and whether or not to call an early general election.

On this subject Mr Mitterrand has revealed nothing since his September 8 television appearance, when he was characteristically enigmatic about his future.

Then, he said he would "take the responsibilities which fall to me" a day or so after the result was known.

Broadly, he faces the following options. In the event of the narrow Yes indicated by opinion polls, he could either continue until his term runs out in spring 1995, or retire at a convenient earlier date. The official line is that he will stay to the end of his mandate.

Yet Mr Mitterrand is said to be weighing with his close advisers the pros and cons of early retirement. An opportune moment would be in the next few months, in time to hold a presidential election before the March 1993 parliamentary election. This would give the Socialists a chance to field a winning presidential candidate against a weak and divided

Doctors reassured the public that the president's prostate cancer is not dangerous in men of his 75-year vintage

opposition, reducing the Socialists' chances of losing the parliamentary election.

A No on Sunday night would obviously be a serious blow to Mr Mitterrand's national and international credibility and that of his administration. His resignation and dissolution of the government might seem the only option if the gamble fails. Yet Mr Mitterrand could still hold on to power after a No vote. He would be helped by the fact that the opposition's credibility would be equally damaged, since the right-wing RPR and centre-right UDF leadership are both pro-Maastricht.

At worst, the Socialist government might face a censure motion in the National Assembly after parliament reconvenes on October 1. But it has survived 15 censure motions since the last general election three years ago.

However, come the general election the electorate would make the Socialist government pay heavily. Mr Mitterrand could distract attention from a Maastricht debâcle by calling another referendum, as he once said he would, on reducing the seven-year presidential mandate. But that would be another gamble.

Yet Mr Mitterrand knows that even if Sunday's result shows he has walked into his own trap, he has not run out of stratagems yet.

Jack Lang adds style to Yes campaign

By Alice Rawsthorn in Paris

THE French are a formal race. The usual mode of address to a cabinet minister is *Monsieur le ministre*. But when Mr Jack Lang addressed a meeting of young people in the insalubrious Paris suburb of Clichy on Tuesday night, one boy began his question with *"Bonjour Jack!"*.

Mr Lang laughed. He may be France's deputy prime minister, the proud possessor of no fewer than three ministerial portfolios – arts, education and media – and the longest-serving member of President François Mitterrand's cabinet, but he is also a populist. Moreover Mr Lang, 53, is canny enough to realise that being addressed in such a manner by a cheeky adolescent is a small price to pay for his success in the popularity polls.

Pomposity is not one of Mr Lang's failings. During his nine years at the arts ministry he has been criticised by the French right for everything from frittering away public money on his pet avant garde art projects, to toadying to the president (of whom he is a firm favourite). But not even his fiercest critics have accused Mr Lang of being stuffy.

It was this lack of stuffiness that persuaded Mr Mitterrand to make Mr Lang co-chairman of the Socialist party's pro-Maastricht lobby last month in an attempt to breathe life into the Yes camp's lacklustre campaigning efforts.

The French budget deficit for 1993 should be "tens of billion francs below FFr200bn", according to Mr Michel Charasse, the budget minister, writes Alice Rawsthorn. The French government plans to discuss next year's budget on September 23 if this Sunday's Maastricht referendum delivers a Yes majority. If the referendum result is negative, the budget discussions will be delayed until September 30.

Mr Lang smiled winningly at the crowd in Clichy's scruffy municipal hall. He beamed at the champion boxer and sailor he had brought along for the evening as representatives of his glittering pro-Maastricht celebrity campaign. His hand lingered for, perhaps, a little too long on the shapely arm of Stéphanie, head of the Clichy branch of pro-Maastricht youth campaign. He listened attentively to the questions and tried his best not to look too bored when he had to discuss economics in his answers.

It may be part of a well-worn act. But he did it brilliantly. Mr Lang did not dwell for long on the pedantic details of the Maastricht treaty. He leaves that to Ms Elisabeth Guigou, the glamorous, but glacial, minister for European affairs, with whom he co-chairs the Yes campaign.

Mr Lang sees the Maastricht treaty as an opportunity for France to stamp its influence over the rest of Europe.

"Why else do you think the other European countries were concerned about culture being included in the Maastricht treaty?" If one or two languages dominate the new Europe, Mr Lang was convinced that French would be one, "possibly with English or German as the second".

Ms Guigou and the other Europhilic socialists – not to mention France's European partners – might not see Europe's future in quite such Francocentric terms, but Mr Lang's demagoguery went down well with his audience of the converted in Clichy.

The crowd cheered. Teenage girls giggled under the glare of the television lights. Their boyfriends guffawed at the arts minister's jokes and gazed admiringly at the boxer and sailor. The young people of Clichy might not have learnt very much about the whys and wherefores of European union, but they had spent an evening basking in Mr Lang's reflected glamour.

Jack Lang, minister for arts, education and media: pomposity is not one of his failings

Lyons ponders looming vote

By David Buchan in Lyons

FRANCE'S second most important city has, for four years, been busy touting itself as the best compromise site for the planned European Central Bank (ECB).

But the question now for the Lyonnais, days away from the referendum, is whether they can bring that prospect any nearer by helping approve Maastricht, the treaty basis for the ECB.

"The advantage of Lyons would be that the bank would not be as exposed to political pressure of any government, as it would be if it were placed in a capital city," argues Mr Jean Chemain, director of Lyons' chamber of commerce. "Nor would it give an unfair advantage to any of Europe's major financial centres over the others, as it would if the bank were sited in Frankfurt, London, or Paris," he adds.

The ideal political scenario for Lyons' promoters would be a geographical split.

Their city, sitting right in the middle of the Community, would get the headquarters of the ECB whose operational arm would go to a world-level money centre such as London.

But first, of course, the Maastricht treaty must win French approval in Sunday's referendum.

This is unlikely if a cosmopolitan city such as Lyons, and its surrounding Rhône-Alpes region where foreign companies employ no fewer than 80,000 people, cannot muster a sizeable majority in favour of the European union treaty.

Mr Bruno Charmasson of Le Progrès, Lyons' main newspaper, sees a problem.

"The response of Lyons should be Yes in the referendum, but the city has traditionally had a higher anti-Mitterrand vote than the national average," he says.

The chances of a Lyonnais majority for Maastricht depend crucially on voters keeping European and national issues separate in their minds.

A further local complication is that the local neo-Gaullist RPR is pretty solidly anti-Maastricht, though the party is somewhat weakened by the defection of the city's pro-treaty mayor, Mr Michel Noir.

However, this week saw a closing of the pro-Maastricht ranks elsewhere in the opposition, when for the first time in eight years Mr Raymond Barre, the Lyonnais former prime minister, shared a platform with his former presidential boss, Mr Valéry Giscard d'Estaing.

The pair had parted on bitter terms after the Mitterrand victory in 1981.

But at a recent rally in suburban Lyons, they made common cause to plead the case for a Yes to Maastricht which, as Mr Giscard d'Estaing stressed, should in no way prevent voters saying No to the Socialist government in next March's legislative elections.

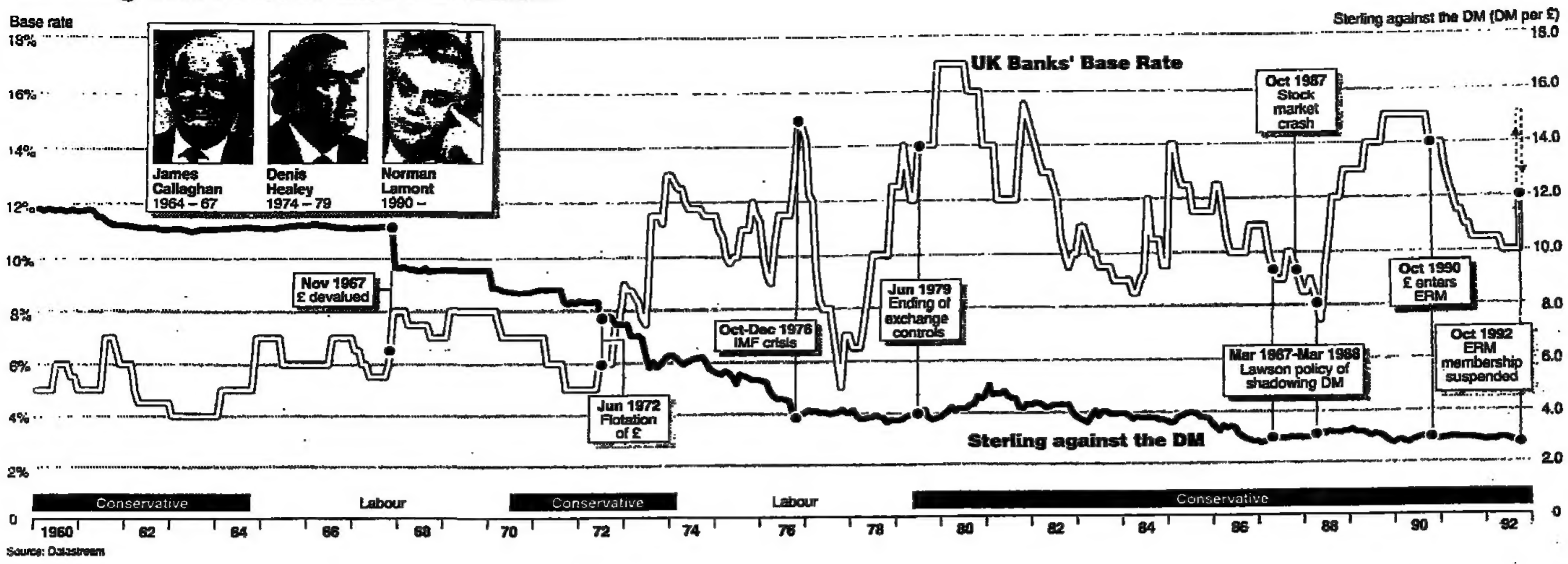
Gamblers bet on Yes vote

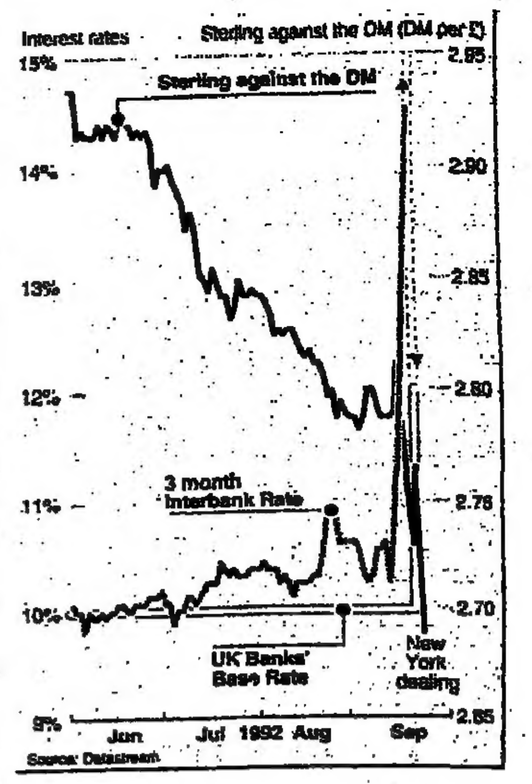
IG INDEX, the London financial bookmaker, was last night quoting a 53.25 per cent Yes vote in bets it is taking on the French referendum result, Our Foreign Staff writes.

It showed a marginal rise from 53 per cent recorded in the previous two days but was down from its peak of a 56 per cent Yes on September 7 and 8. The low point was a 50 per cent dead heat on August 25.

Bettors specify the outcome they expect when placing their stake. Winners are repaid this amount for each percentage point between the result and the level they were quoted.

Sterling crises over three decades





■ Major faces biggest political test ■ Government gambles on French Yes ■ Retail sales offer glimmer of hope

Major faces the most serious test of his career

By Philip Stephens, Political Editor

NOW Mr John Major must assess the cost of conviction.

During 22 frequently turbulent months in No 10 Downing Street the prime minister has weathered his share of crises. But sterling's enforced withdrawal last night from the ERM confronts him with the most serious test of his political career.

Mr Major had insisted that holding the pound's exchange rate against the D-Mark was at the heart of his economic strategy. He believed it. At 5pm yesterday the markets overwhelmed him, leaving the credibility of his economic policy in shreds. One ministerial colleague described Mr Major as "devastated".

As the drama unfolded the first message from Downing Street yesterday was that Mr Major remained determined to hold sterling at the rate at which he took it into the Exchange Rate Mechanism two years ago. That was followed by two unprecedented rises in interest rates and massive intervention by the Bank of England.

The speculators were unimpressed. When the pound slid below its ERM floor the question asked in Whitehall – and left unanswered – was whether the prime minister's determination would be enough.

By late afternoon Mr Major was being told by Mr Robin Leigh Pemberton, the governor of the Bank of England, that sterling's position in the ERM was no longer sustainable. The Bank was running out of money and unconvinced that still higher interest rates would sustain it. Mr Major is committed to the defeat of inflation. He regarded the ERM as the framework to achieve that objective. The constantly-repeated phrase was that he would do "whatever is necessary to defend the parity".

Now he must start again. The message from Downing Street was that sterling had been "suspended", not removed from the ERM. The expectation was that once calm returned to the markets after next Sunday's French referendum on the Maastricht treaty it would rejoin the mechanism.

Even as the pound slumped below well below its ERM floor last night, Mr Major's aides were not prepared to admit the reality that he had been forced into the devaluation he had also refused to contemplate.

He did not give in without a fight. As one minister commented last night, Mr Major did not readily seize the "soft option" of devaluation. The markets, always more powerful than the politicians, left him with no other option.

It will be difficult to pick up the pieces. Whatever his intentions now it will not be easy to simply start again with a different ERM rate. One minister said: "It will takes us years to regain credibility . . . it is disastrous. It undermines everything we have been trying to do for the past two years".

The opposition against the ERM on the Conservative backbenches has been mobilised. It will be given new impetus by the admission in Downing Street last night that the prime minister believes the Bundesbank must bear much of the responsibility for the crisis.

For the Tory Euro-sceptics the threat that higher borrowing costs will drive the economy from recession into slump is an ideal recruiting ground in their campaign against the Maastricht treaty.

Even before yesterday's drama the Euro-sceptics were promising that the prime minister would meet a stormy reception at the party conference in Brighton in two weeks' time. It was once supposed to be a celebration. Now they are pledging open revolt.

A French Yes for Maastricht in Sunday's referendum would ease some tensions on the financial markets but it would still foreshadow a bitter struggle with the Tory rebels. There was acknowledgement in Whitehall yesterday that even if the treaty was endorsed by the French it might be some time before interest rates fell again to 10 per cent.

With one or two MPs publicly calling for Mr Norman Lamont's resignation as chancellor the possibility of a symbolic challenge to Mr Major's leadership can no longer be dismissed as fantasy.

There has been no sign of revolt in the senior ranks of the government. When the absolute commitment to sterling's parity was underlined by Mr Lamont at last week's cabinet meeting, no one dissented. Mr Major was careful yesterday to ensure that all the cabinet heavyweights – Mr Michael Heseltine, Mr Douglas Hurd and Mr Kenneth Clarke – shared in the decisions.

Officials insisted that Mr Lamont remained secure at the Treasury. But inevitably the parallel was being drawn with 1967's resignation as chancellor of Mr James Callaghan when he was forced into devaluation.

It may be that Mr Lamont will be forced to follow the Callaghan example. But this time it is not that simple. Mr Harold Wilson, prime minister at the time, distanced himself from his chancellor's handling of the sterling crisis. Mr Major has done the reverse.

At last week's cabinet meeting and in a subsequent speech to Scottish business Mr Major went out of his way to praise Mr Lamont and stress his personal commitment to the policy. He referred to the Labour government's experience in 1967 – but only to remark that subsequent events demonstrated that Mr Wilson had been wrong to give in to the markets.

The strategy now is to try to hold the line until next week, hoping that a Yes vote will bring a return to sanity.

Mr Major can claim with justice that no prime minister could have resisted the pressures of the markets and of the apparent determination of the Bundesbank to force a general ERM realignment.

His instinct was to tough it out. The prize of victory against the markets would have been credibility for his anti-inflation strategy that had eluded every British post-war government. But it was an enormous gamble. The markets are unimpressed by conviction politics. Mr Major must now count the cost of losing.

■ PARLIAMENT has been recalled from recess on 10 occasions since World War II – most recently on September 6-7, 1990 during the Gulf crisis.

Parliament is normally recalled in times of national emergency, sudden political crisis or when approval is required for the despatch of troops into possible conflict.

The government has turned down requests from the Leader of the Opposition for a recall of parliament at least five times since the Conservatives won power in 1979. Three requests were from Lord Callaghan – one to debate the national steel strike in 1979, and two to debate unemployment in 1980. One was in 1981 from Mr Michael Foot over the last recession.

Countdown to crisis

■ AUGUST 20: Pound hits new low in ERM of DM2.8070 after being dragged down by sharp fall in dollar.

■ AUGUST 24: Central bank intervention around world fails to support dollar; investors pile into D-Mark. Pound closes at new low of DM2.7975. Lira slumps.

■ AUGUST 25: Pound tumbles as poll shows French could reject Maastricht. Devaluation fears send pound to half pfennig above absolute floor. Major and Lamont meet on growing crisis. Pound closes at DM2.7875.

■ AUGUST 26: Lamont insists government will not devalue. Markets unimpressed. Massive intervention by Bank of England leaves currency wobbling at DM2.7950.

■ AUGUST 27: French rule out realignment of ERM. Pound unmoved at DM2.7950.

■ AUGUST 28: EC finance ministers add to no-realignment chorus but D-Mark continues to soar and sterling slumps to DM2.7875.

■ SEPTEMBER 3: Lamont unveils plan to borrow £7.25bn of D-marks to prop up sterling. Pound up to DM2.80, highest for two weeks.

■ SEPTEMBER 4: Italy raises rates. Pound holds at around DM2.80.

■ SEPTEMBER 5: EC finance ministers reaffirm no plan for realignment or devaluation – strongest statement from EC on crisis.

■ SEPTEMBER 9: Pound drops to DM2.7875. Investors continue to buy D-Marks. Sweden hikes rates to 75 per cent. Italian government seeks powers for rescue of lira.

■ SEPTEMBER 10: Major says realignment will be "betrayal" for ERM. Pound closes still in critical zone.

■ SEPTEMBER 13: Lira devaluation and German interest rate cut. Pound surges to DM2.82 in anticipation of German cut.

■ SEPTEMBER 14: German cut of 0.25 per cent smaller than hoped but sterling holds up. Pound closes at DM2.8144.

■ SEPTEMBER 15: Pound plunges. Crisis as markets sell sterling. Rumours of 2 per cent interest rise or/and devaluation. Pound down to DM2.7780 – lowest possible.

■ SEPTEMBER 16: Intervention, interest rate rises – and suspension from ERM.

Tories join resignation chorus

By David Owen

MR JOHN MAJOR last night faced mounting pressure for the resignation of Mr Norman Lamont, the chancellor, including some from the Conservative back benches.

As the chancellor called an emergency meeting of senior EC officials to discuss the turmoil, some of the wilder corridor gossip in the Palace of Westminster asked whether Mr Major might even face a challenge for the party leadership after next month's Conservative conference.

A broad consensus of Tory MPs brushed aside all such talk as irresponsible or, at the very least, premature. But there was open discussion about how long Mr Lamont would hold his present post following the suspension of Britain's membership of the exchange rate mechanism.

Mr John Carlisle, Conservative MP for Luton North and a persistent critic, said that if the chancellor had been finance director of "UK plc" he would have been forced to resign. "Possibly he should stay and see this one through, but after that he must seriously consider his position."

Mr Carlisle said there was "no thought at all of any leadership challenge being mounted". The party "might demand Mr Lamont's head but not at this stage the prime minister's," he added.

Other prominent Euro-sceptics were more charitable to Mr Lamont and less so to Mr Major. Mr John Townend, chairman of the influential Tory backbench finance committee, said he was "very opposed to sniping at the chancellor", who had inherited membership of the European exchange rate mechanism.

"I hope Norman Lamont is not going to be made to carry the can for it," he said, adding that British ERM membership was "the prime minister's policy." He nonetheless voiced support for Mr Major, describing him as "the best prime minister we have got".

Mr Nicholas Budgen, Tory MP for Wolverhampton South West, said Mr Major had made "a fundamental mistake when he was a junior minister" by supporting Lord Lawson, the former chancellor, in the debate over ERM membership and not Baroness Thatcher, the former prime minister.

Lord Ridley, the former cabinet minister, said he had "every sympathy" for Mr Lamont, who had "done his level best". The mistake was to have joined the ERM in the first place. "It is a total chimera that there is a sort of El Dorado to be found down this road."

Euro-sceptics were of the view that even a 12 per cent base rate could prove disastrous for the depressed domestic economy if sustained for more than a few days. Mr Nicholas Winterton, MP for Macclesfield and former Tory chairman of the cross-party health select committee, said yesterday's events amounted to "the disembowelling of what little life there is left in the British economy."

Speaking yesterday morning after a two percentage point increase in interest rates to 12 per cent had been announced – but before the suspension of Britain's ERM membership – Mr Townend said that a short 10-day period of higher rates would not cause "any serious trouble". But he added: "If it goes on for several months it will be devastating for British industry."

He said he would ask the government to meet the high street banks to formulate a strategy for damage limitation. "If interest rates are at this level when we get to party conference, they will be in for a rough time."

Winners and losers in the medium term

From two possible government policies

DEFENDING THE POUND	LETTING STERLING GO
● ASSUMPTION: Pound rejoins ERM with small devaluation, interest rates stay high.	● ASSUMPTION: Pound floats downwards sharply or devalues substantially within ERM, interest rates fall back.
● IMPLICATIONS: Economy shrinks further, house prices fall, financial system under strain, inflation falls rapidly towards zero, share prices tumble.	● IMPLICATIONS: Inflationary expectations rekindle, economy continues slow move out of recession, exports revive, eventually house prices recover.
● WINNERS: Savers, companies with strong balance sheets, businesses with low dependence on UK economy, house-renters, insolvency practioners, those planning foreign holidays.	● WINNERS: Companies with big overseas earnings, exporters, debtors, companies that gain from stronger housing market such as builders, estate agents, furniture suppliers.
● LOSERS: Debtors, house-owners, companies in interest-rate sensitive industries such as those in building and retailing, share-owners.	● LOSERS: People on fixed incomes, savers, those planning foreign holidays, companies owing money overseas, long-termists, Norman Lamont.

Labour pins blame on ministers

By Ivo Dawnay, Political Correspondent

LABOUR acted swiftly yesterday to pin the blame for the interest rate rises firmly on the government's refusal to stimulate the economy.

Within minutes of the first 2-percentage-point increase being announced Mr John Smith, who is at the Socialist International conference in Berlin, issued a letter to the prime minister demanding the recall of parliament.

The Labour leader highlighted the opposition's consistent demands, dating from well before the April election, for tax incentives for industry and other measures to stimulate growth.

Mr Smith said: "It is the result of the repeated failure of the Conservatives to understand the issues that have allowed this situation to have arisen. We would not have got ourselves into this situation."

In London Mr Gordon Brown, the shadow chancellor, pressed home Labour's attack, pointing out that Tory election propaganda had consistently promised sustained recovery and lower interest rates.

Officials said senior shadow cabinet members would use the coming few days to stress that the currency crisis was affecting only those European countries perceived to have weakly performing economies.

The Labour leadership must nonetheless tread warily, knowing that a number of its senior spokesmen are critical of the opposition of Mr Smith and Mr Brown to a devaluation strategy. Yesterday there was no comment on the day's developments from figures such as Mr Bryan Gould, the shadow heritage secretary, and Mr David Blunkett, the shadow health spokesman. Both are known to oppose Mr Smith's argument that the pound should maintain its position within the ERM bands.

The party leadership will keep a tight rein on its internal dissidents ahead of Sunday's French referendum. It will then have three days to devise a coherent position on the ERM, sterling and the Maastricht treaty that will command the maximum support across the party.

No firm plans on return to ERM, says Treasury

By Peter Marsh, Economics Staff

FOR the time being – after last night's dramatic announcement that the UK is suspending membership of the European exchange rate mechanism – it is back to the old days of running the economy.

Although the Treasury hopes the UK will be able to rejoin the ERM when market conditions are more settled, officials made clear last night that there were no firm plans about the pound.

The announcement means that for the moment decisions about interest rates will be taken with regard to broad economic conditions including the need to bear down on inflation, rather than the requirement to peg the currency to a specific limit. How long this situation will last was a matter for intense speculation last night. One option would be for Britain to rejoin the ERM as early as Monday, after the result of the French referendum on Maastricht is known.

If there was a Yes vote, a large flow of money into the weaker European currencies, including the pound, could be expected, and sterling might be able to rejoin at the central DM2.95 rate that applied before last night's announcement.

Many in the currency markets believe that a No vote – or perhaps a wafer-thin majority in favour of Maastricht – will scupper the timetable for European economic and monetary union, dealing a blow to theories about a convergence in European economies, and probably consigning Britain to the second rank of a "two-speed" ERM system.

A No vote might thus lead to Britain finding that it can gain re-entry to the ERM club only on the basis of a formal devaluation of sterling against the D-Mark and other relatively strong currencies such as the Dutch guilder and the Belgian franc.

A third option which cannot be ruled out is that Britain gives up – at least for the foreseeable future – any idea of linking its currency to the other main European currencies. Such a decision would end the goal that started with ERM entry in October 1990 of trying to bring down UK inflation by tying UK monetary policy to the credit rates set by the Bundesbank. Such a step would be a huge about-turn for the UK government. But it may decide, after the humiliation of opting for an ERM suspension last night, that the pressures of living with the system may be too large to cope with.

A crucial factor in the discussion is the state of the UK economy. From today, base rates will be set at 12 per cent, up from 10 per cent on Tuesday night, a level that many consider is far too high given that Britain is still struggling to recover from its longest peacetime recession since the 1930s.

An important factor in the discussion will be whether it will be possible in the foreseeable future to engineer lower base rates while Britain stays in a fixed exchange rate system in which Bundesbank credit rates seem likely to stay high for some months.

One important argument – which would be against all that Mr John Major's government has stood for over the past 23 months – is that Britain might find it easier to cut interest rates by continuing the policy of letting the exchange rate float, the situation that prevailed last night when sterling was quoted in New York trading at around DM2.70, some 8 pfennigs below its formal ERM floor of DM2.778.

Linked to this question is whether the battered UK economy can withstand a prolonged period of relatively high interest rates.

Mr Richard Jeffrey, head of economics at the stockbrokers Charterhouse Jeffrey, said of yesterday's 2 percentage point rise in base rates: "The UK economy was already looking a bit like a wonky three-legged stool. Now one of the legs has been kicked away."

Last year UK output fell by 2.4 per cent, the biggest one-year drop since government records started in 1948. Assuming the economy contracts this year by a further 0.6 per cent – which was the consensus view of City economists before yesterday's developments – the two-year decline will be the largest recorded for any ERM country since the mid 1970s.

As for next year, the best guess of economists before yesterday was that output would rise anaemically by about 1.6 per cent, far below the growth rates of the mid 1980s.

On the economic front, a glimmer of hope came yesterday from the announcement of a 0.8 per cent rise in retail sales volumes in August compared with July. Many economists are sceptical about whether that trend will continue.

Since the middle of last year, retail sales – which account for roughly a quarter of UK economic output – have been virtually flat, providing little sign that consumer demand is about to lift.

Consumer spending, totalling two thirds of gross domestic product, has fallen much more steeply this time compared with the previous recession in 1980-81.

As for the state of government finances, Mr Norman Lamont, the chancellor, faces further headaches. The public-sector borrowing requirement for 1992-93 – in spite of a lower-than-expected PSBR for August announced yesterday of £2.9bn – looks likely to climb this year to about £32bn and perhaps reach £40bn in 1993-94 as a result of the recession eating into tax income and pushing up social security spending.

If the recession spilled over to next year – which seems increasingly likely – the impact on revenues and spending would be still higher. That might make it difficult for the government to meet guidelines agreed by European Community nations at the end of last year to keep government borrowing below 3 per cent of gross domestic product as part of the move towards monetary union.

THE reintroduction yesterday of minimum lending rate (MLR) at 12 per cent, signalling a 2-percentage-point rise in UK base rates, followed the general pattern since 1981 when the rate was in effect made redundant.

Since then it has been used infrequently as an emergency measure to raise rates during sterling crises, dealers said.

However, its most recent use – in October 1990 – was to signal a 1-percentage-point reduction in base rates to 14 per cent when sterling joined the exchange rate mechanism of the European Monetary System.

The Bank of England stopped announcing MLR in 1981 when it introduced a new system for day-to-day market operations.

MLR, always set by the Bank of England, was once known as the Bank Rate. It was renamed minimum lending rate to try to downgrade its significance.

MLR averaged 10.8 per cent in the 1970s and peaked at 17 per cent on November 15 1979 when it was raised to protect the balance of payments and control inflation.

UK base rates, in effect MLR's replacement, averaged 11.8 per cent in the 1980s.

Although seemingly abandoning MLR, the Bank retained the right in appropriate circumstances to announce in advance the MLR which, for a short period ahead, it would apply in any lending to UK discount houses.

Before its 1990 ERM outing, MLR was reintroduced for one day in January 1985 – also at 12 per cent but up from a level of 10½ per cent – when the Bank of England was trying to prop up a pound moving close to parity with the US dollar, dealers said.

At the time, the FT reported: "The Bank has now returned to its more subtle practice of influencing borrowing costs through its routine money market operations."

NEWS: THE ERM AND BRITAIN

Alarm and disbelief in industry

By Our Industrial Staff

LAST NIGHT'S decision to suspend sterling within the ERM was the last straw for the UK's business leaders in a day of pure bewilderment.

Mr Howard Davies, director-general of the Confederation of British Industry, said: "We are disappointed that the government has been blown off course by the currency markets. We think the government should urgently restore some certainty to its financial policies. The absence of clear guidelines will further weaken business confidence and the prospects for economic recovery."

Earlier in the day Mr Paul Coker, managing director of the food group Ranks Hovis MacDougall, said: "I can't remember experiencing anything like this before. The whole thing seems crazy. It's difficult to make rational decisions."

Sir Michael Angus, president of the CBI and chairman of the brewing group Whitbread, said: "As an industrialist I find it hard to credit what is happening to our currency. We do not need a devaluation of sterling. Perhaps a lot of currency speculators do."

The rise in interest rates to 12 per cent was also greeted with general dismay. Mr Alan Sugar, chairman of the consumer electronics group Amstrad, said the effect on consumer spending would be disastrous. "This will impact heavily on the high street and companies like Amstrad in the key selling season leading up to Christmas," he said.

Mr Chris Haskins, chairman of Northern Foods, said: "People are so terrified, they just aren't spending. This will frighten them even more. It will be full stop and let's get under the bed for a week or two."

Sir Brian Hill, president of the Building Employers Confederation, said: "If these rates persist, the result can only be a huge increase in company failures. We could soon be contemplating the horrendous prospect of ½m jobless building workers."

Mr Neil Marshall of the Retail Motor Industry Federation, representing the UK's 7,000 franchised motor dealers, said that, almost irrespective of what happened next, any remaining consumer confidence had been destroyed by yesterday's events.

Before the decision to float sterling was announced most industrialists continued to defend the government's policy of maintaining sterling's level. "We need higher interest rates like we need a hole in the head," Sir Michael Angus said. "But if it is a choice between that and devaluation then I suppose it will have to be."

Mr Ken Minton, chief executive of Laporte, the chemical company, said it would be wrong to change course now.

The tobacco group BAT said: "To leave the ERM would be to have suffered in vain".

Sir Antony Pilkington, chairman of Pilkington, the glass group whose profits have sagged as the recession has affected its two main customers, the building and vehicle industries, said he hoped the rate increase might break "the logjam" of economic policy which had been "just too rigid".

The decision to float sterling was welcome news for Sir Owen Green, chairman of the industrial conglomerate BTR, who had called for sterling to float earlier in the day.

Even the government's supporters acknowledged that higher interest rates would have a punitive effect on their own investment plans. Mr Barrie Stephens, chairman of the engineering group Siebe, said managers were entering uncharted waters.

"The cost of money was already a significant factor in decisions and now it has become even more expensive," he explained. "It will put a further damper on levels of investment."

Mr Ian McAllister, chairman of Ford of Britain, called for government action to stimulate the economy. "We believe that present circumstances make it even more imperative that the government takes targeted action to stimulate key areas of the economy," he said.

City analysts said the rise in interest rates should not have as bad an effect on UK companies as it did two years ago. The flood of rights issues last year has done much to reduce corporate debt, although it is still at high levels historically. Also, many companies with assets in the US have, like Hanson, moved their debt into dollars in order to take advantage of low US interest rates. But companies whose assets are declining in value will see their gearing rise even if their debt does not.

Lower sterling would boost the profits of UK companies, since about half of the profits of quoted companies come from abroad.

Andrew Jack writes: Commercial property experts said yesterday it was too soon to judge the effect on the market of the sudden interest-rate rise but suggested there would be little damage in the short term.

Mr Gerald Blundell, head of investment strategy at Jones Lang Wootton, the chartered surveyors, said: "This is more to do with 24-hour money than 24-year property cycles. There will be no immediate impact."

Mr Rod Grant, managing partner of surveyors Hillier Parker, said: "We can't class this as good news. We are not panic-stricken because we saw it coming, but it is still a bit of a jolt."

CONSTRUCTION

Building chiefs warn of greater hardship

By Andrew Taylor, Construction Correspondent

CONSTRUCTION companies, already suffering from the worst recession for 50 years, recoiled in horror yesterday at higher borrowing costs for themselves and their customers.

Industry leaders warned that anybody – from brick manufacturers, architects and contractors to estate agents and chartered surveyors – making a living from construction would suffer even greater hardship. Mr Graeme Odgers, chief executive of Alfred McAlpine, said higher interest rates would make it harder to sell homes while businesses would be even less likely to invest in new offices, shops and factories.

Companies warned that business failures and plant closures were likely to increase, forcing further redundancies in an industry that has already lost almost 300,000 jobs since summer 1989. Many have been forced to cut dividend payments to shareholders as profits have fallen.

Sir Brian Hill, president of the Building Employers' Confederation, the industry's largest trade association, said: "If these rates persist, the result can only be a huge increase in company failures and we could soon be contemplating the horrendous prospect of ½m jobless building workers."

Estate agents said mortgage rate rises would deal the housing market "a hammer blow", delaying recovery in property values by at least six months.

Mr Michael Jones, president of the National Association of Estate Agents, said the increases would kill stone dead an already faltering market.

Mr Colin Parsons, chairman of Taylor Woodrow, the contractor, housebuilder and property development group, said: "We might as well close the sales offices this weekend until sanity returns."

The biggest fear among builders and estate agents is that house prices, which have fallen on average by 25 per cent to 30 per cent in southern and eastern England, might fall even further.

Mr Odgers said housebuilders, already proffering a vast array of sales incentives to encourage reluctant purchasers, would now concentrate on offering cheap mortgage schemes. "Builders which raised large borrowings to buy expensively priced housing and commercial property land at the end of the 1980s will be hit doubly," he said. "Their own interest bill will rise while it will become more difficult to reduce debts by selling products to customers."

Criticism of government economic policy by construction companies, traditionally big contributors to Conservative party funds, has intensified recently as it became apparent that the housing recovery, hoped for after the general election, would not occur until next year at the earliest.

Mr Robert Napier, chief executive of Redland, one of the UK's biggest building materials companies, said: "It has been apparent for some time that the policy of trying to maintain parity between sterling and the D-Mark cannot be sustained without seriously damaging the rest of the economy.

"If we do not devalue the pound and reduce excessive interest rates, the recession will turn into a slump. The effects will be even more damaging for the construction industry, forcing output to fall even further from the current low levels."

General contractors can also expect to suffer, with industry and commerce even less likely to invest in new buildings.

Construction output, even before yesterday's announcement, was forecast to fall by 6 per cent in the UK this year. That follows a 9 per cent fall last year. According to the National Economic Development Office, commercial construction – mainly offices and shops – is expected to fall by 25 per cent this year.

More worrying for contractors has been the collapse in their margins as contract prices have fallen by up to 30 per cent since the late 1980s as competition for a dwindling workload has increased. Companies are fortunate if margins on some contracts even cover overheads, according to the Building Employers' Confederation.

Mr Richard MacCormac, president of the Royal Institute of British Architects, said that even more architects' practices would close or make staff redundant. He added: "It means there will be architects who have to sell their homes – if they can find a buyer."

Lydie van der Meer

What price a sterling future? Contemplating the effects of the rise on sterling interest rate future contracts at the London International Financial Futures Exchange

RETAIL SECTOR

Directors of store groups express shock

By Maggie Urry

RETAILERS yesterday were praying that the higher level of interest rates would be short-lived. They said that if mortgage rates had to rise then consumer confidence, already at a low ebb, would be damaged further.

The sector is one of the first to suffer when consumer confidence falters. Recession has been restraining retail sales for some years, the first signs appearing after the stock market crash in October 1987.

Many smaller retailers have already been forced to close. Retail leaders said yesterday that continued high interest rates would bring more unemployment and shop closures.

Share prices fell sharply yesterday, although the stock market as a whole closed higher. Prices of retailers of big-ticket items or housing-related goods fell. Dixons, the electrical retailer, fell from 202p to 187p, a 7.4 per cent drop. MFI, furniture retailer, saw shares fall 10p to 91p.

Directors of stores groups were shocked by the two rate rises yesterday. One said he was "gobsmacked" when the second increase was announced. Another said: "I am sitting here, the sun is shining, and I am looking at my screen wondering, 'Does anyone know what the hell they are doing?' It's bloody chaos."

Mr James May, director general of the British Retail Consortium, a retail trade group, said that if the higher rate persisted for a couple of months, retailers "will face a bleak run-up to Christmas". Many retailers make a large proportion of their annual profits in November and December.

He said shops had already cut costs and there was "not much fat in the retail industry".

Mr Nigel Whittaker, of Kingfisher, the Woolworth, Superdrug, Comet and B&Q group, said the rate rise was "frustrating". The publication yesterday morning of retail sales figures for August, which showed a rise in the volume of sales of 1.8 per cent compared with August last year, had been "almost the light at the end of the tunnel" he said.

At W.H. Smith, Sir Malcolm Field, the managing director, said: "The question is, how long does it go on for?"

Even food retailers, whose sales have held up relatively well, have been under pressure in recent months. Mr David Webster, deputy chairman of Argyll, the supermarket group, said yesterday: "Food volumes are clearly under some pressure and this can only be regarded as unhelpful."

QUOTES OF THE DAY

If it is only for a few days, rates can go up to 20 per cent without having too much effect on business. But if the rates don't come down soon, it puts right out of court the beginning of the recovery and will prolong the recession
–
Mr Richard Brown, British Chambers of Commerce director of policy

Industry will just gasp at itself and get on with it
–
Ken Coates, chairman of Meggitt

We need to stop the panic
–
Abbey National, explaining why it was holding its mortgage lending rate

It wouldn't matter if you put King Kong in the Treasury - there's nothing they can do
–
Sir Teddy Taylor, Conservative MP

Hey, love, come back, you're going to need every penny now
–
London Evening Standard vendor outside St James Park Station, shouting after female purchaser who forgot her change

It's like there is a death wish; people want a devaluation and no one in the foreign exchange markets is going to be happy until there is a devaluation
–
Mr Neil Blackley, media analyst at James Capel

If these rates continue for a number of weeks, we will be heading for the biggest slump since the 1930s. The ERM and monetary union have failed. The ERM was supposed to bring stability
–
Mr John Townend, Conservative backbench finance committee chairman

We might as well close the sales offices this weekend, until sanity returns
–
Mr Colin Parsons, chairman of Taylor Woodrow, contractor, housebuilder and property development group

If this doesn't do the trick it will be a real disaster... It's got to be bad news for industry
–
Sir Ernest Harrison, chairman of Racal Electronics and Vodafone, speaking after the 2 point rise but before the additional 3 point hike

This is industrial madness, which will add at least 100,000 to unemployment
–
Mr John Edmonds, leader of the GMB general union

The economy is going to end up like families who buy a brand new house and then find they don't have the money to eat
–
Mr Harry Lyons, taxi driver

You'll notice we've got our windows open today
–
Ledge humour from a UK fund manager

LEISURE INDUSTRY

Uncertainty strikes tourist trail

By Michael Skapinker and Gary Mead

LEISURE and tourism businesses so far relatively untouched by recession – those whose customers are either too poor or too rich to be affected by mortgage rate movements – will be affected by the interest rate rises.

Mr Bob Winder, finance director of Abercrombie & Kent Travel, whose customers spend up to £6,000 each on holidays, said uncertainty would have a bigger effect than any eventual mortgage rate rise.

"The top end of the market tends to be sophisticated and reacts very quickly. It's not that they can't find £6,000 for a holiday – it's that they don't tend to spend during periods of doubt," Mr Winder said.

Mr Ramon Pajares, general manager of the luxury Inn on the Park in London, said the long-term impact on the hotel's restaurant and banqueting facilities might be severe.

"I always used to think a Europe without frontiers was a good idea," Spanish-born Mr Pajares said. "But after what we've been through in the last two years, you wonder if it's the best thing for this country."

At the other end of the scale are companies whose customers have small mortgages or live in council homes and are less affected by rate rises.

First Leisure, whose interests include bowling alleys and snooker halls, has proved resilient. Mr John Conlan, its chief executive, said the insecurity arising from yesterday's news might hamper business. "Interest rates are not the primary negative factor for our customers; it's the fear of unemployment," he said.

Uncertainty is also likely to affect package holidays bookings, as it did in the run-up to this year's general election. Mr Peter Rothwell, marketing director of Lunn Poly, the UK's largest chain of travel agents, said winter holiday bookings were already 10 per cent down on last year.

Skiing holidays attract a significant number of male under-35s in the south of England, who will suffer badly if mortgages rise.

A substantial proportion of the "winter sun" market is, on the other hand, made up of retired people, with paid-off mortgages and savings, who benefit from rate rises.

Mr Bob Tyrrell, chief executive of the Henley Centre research institute, saw bright spots for leisure and other industries: "There's no doubt that people have been staying at home more. Spending on heat and power have been very buoyant, and we may expect that home videos, the food industry and other home-based activities will be beneficiaries."

BANKING

Risk of further damage to confidence is heightened

By Robert Peston

BANKERS were yesterday crossing fingers in the hope that the rise in base lending rates would be reversed in the near future.

"Confidence is bound to be damaged by these moves," said Mr Derek Wanless, chief executive of National Westminster, the UK's second-biggest bank.

He said the risk of an economic "slump" that might seriously damage banks and building societies had been increased.

British banks already had record levels of bad debt, mostly as a result of small and medium-size companies running into financial difficulties. Most banks believed losses on loans would continue at a high rate, even without any increase in interest rates.

NatWest therefore wants the government to announce measures aimed at stimulating particularly weak sectors of the economy, such as construction.

Sir John Quinton, chairman of Barclays, the biggest UK bank, supported the decision to raise interest rates rather than devalue the pound. "Devaluation would lead to a rise in interest rates and inflation," he said. "The pound is not over-valued against European currencies."

He added that "some companies may go down" as a result of the rate rises if economic recovery is delayed.

Mr Wanless said economic conditions might deteriorate rapidly if rates stayed at 15 per cent for more than a couple of months. He predicted that consumers and businesses would become more cautious in their spending plans whatever happened to interest rates.

Embattled Lamont may be impaled on a sterling skewer

By Peter Norman, Economics Correspondent

MR Norman Lamont may join the ranks of British chancellors whose careers have been impaled on the pound.

The rise in interest rates has the same whiff of personal disaster as Lord Barber's forced exit from the European monetary "snake" – forerunner of the European Monetary System – after just six weeks in 1972 or Mr Denis (now Lord) Healey's about-turn on the road to Heathrow in 1976 when he decided against going to an International Monetary Fund meeting in Manila because of a sterling crisis.

If Mr Lamont makes it to Washington for the IMF meeting at the end of the week, it will be no consolation to know that Lady Thatcher will be addressing an audience a couple of miles away. It would be uncharacteristic for her not to reiterate her belief that "fixed rates don't stay fixed".

Nor will the chancellor find much sympathy in the G7 itself. Other G7 countries have watched with growing dismay how the UK has deprived itself of room for manoeuvre by clinging limpet-like to the DM2.95 parity for the pound. The UK has also attracted criticism for not acting fully in the spirit of the EMS.

Non-UK monetary officials believe Britain bungled the weekend realignment by refusing to shift sterling's D-Mark parity. Admittedly that would have been politically very damaging, but the scale of intervention in recent days shows how unexpectedly large speculative forces have become.

The Bundesbank and Bonn did not get the revaluation D-Mark they wanted. The Germans sought a differentiated realignment that would have involved more countries, in return for an interest rate cut. But the UK refused to make concessions on sterling's parity in return for lower German interest rates.

The German line reflected a growing feeling that economic convergence in Europe is not sufficiently developed for the EMS to be treated as a fixed-rate system. While the Germans accept that the French franc should be pinned to the D-Mark for political as much as economic reasons, they have watched with disquiet how governments have aspired to fix currencies such as the pound, Spanish peseta and Portuguese escudo to the D-Mark.

There is a recognition of the huge sacrifices being made to stamp out inflation, but some G7 officials ask whether that is not too rigorous an approach, given that high-interest-rate policies are stifling business activity and prolonging recession. There has also often been resentment among the other ERM members at the way the UK has frequently appeared reluctant to take the unpleasant medicine sometimes associated with EMS membership.

The nature of Britain's entry into the ERM in October 1990 is still cited as a case of the newcomer trying to bend the rules – the UK unilaterally announced that it would enter the ERM with a DM2.95 central rate, simultaneously cutting interest rates by a full percentage point, before starting formal negotiations with its partners.

If Mr Lamont has in recent weeks frequently emphasised how Britain would base its defence of sterling on the so-called 1987 Basle-Nyborg agreement, he has until yesterday been unwilling to use the main weapon in the Basle-Nyborg armory, which is to change domestic interest rates.

Those different approaches reflect the UK's long absence between 1979 and 1990 from a club in which other members were adapting to each other's ways. With hindsight, the chancellor may have avoided yesterday's painful moves with an earlier and smaller interest rate increase when pressure first began to build.

Such speculation, though, ignores the politicised nature of UK economic and monetary policymaking, which is a more high-profile activity than in countries where technocrats or independent central banks hold sway.

Heightened public interest may reflect the frequent mess the UK has made of economic management since the Second World War. Concentration of policy in the Treasury also makes the chancellor a central political figure, in a way that finance ministers elsewhere are not. In the UK, the chancellor increasingly is seen as the man who wins or loses elections for the government.

NEWS: THE ERM AND BRITAIN

Massive outflow of funds

By Tracy Corrigan, Emma Tucker and Norma Cohen

A FIVE-POINT rise in official interest rates to 15 per cent failed to stem a massive outflow of funds from the UK financial markets in the most hectic day's trading foreign exchange dealers could remember.

Ultimately it resulted in the suspension of sterling's membership of the ERM. Before that, international fund managers and corporate treasurers joined foreign exchange dealers in a flight from sterling as their expectations of a devaluation of the currency mounted.

One trader said: "The central banks were buying sterling and the rest of the world was selling. It was no contest." Even a rise in overnight rates to 100 per cent – a level that makes it extremely expensive to take short positions – failed to dim the speculative ardour of foreign exchange dealers.

"Dealers have had such success in manipulating the central banks that they are prepared to play very, very hard," said Mr John Clark, an arbitrage dealer at Tokai International. "There is no fear of being caught the wrong way."

Traders continued to pursue the "scent of blood", buoyed by handsome profits won on the devaluation of the lira.

"As soon as the lira went, it was curtains for sterling," said Mr Richard Neville Rolfe, a foreign exchange trader at the Hongkong and Shanghai Bank. "The feeling that there was going to be a devaluation became much stronger throughout the day, especially when the two rate rises made absolutely no impact on the sterling/D-Mark rate." The extra 5 per cent on interest rates actually pushed sterling down further. "In a currency crisis of this scale, interest rates at the margin are no protection," one trader argued.

While some analysts felt the market was getting carried away, others, such as Mr Simon Briscoe, senior UK economist at Midland Montagu, argued: "The foreign exchange traders are behaving rationally in that they feel there is a snowball effect behind the weaker members of the ERM. There has been one devaluation, so why shouldn't there be another?"

In any case, it was not the speculative bent of foreign exchange dealers that pushed sterling three pfennings below its floor in the ERM yesterday, after the 5-point rate rise. The massive flow of capital from the UK market yesterday could not have been orchestrated by speculative traders alone.

Dealers estimated that more than £10bn of capital flowed out of the UK yesterday, as fund managers and corporate treasurers tried to reduce their exposure to sterling.

"Investors are selling pounds on an entirely rational basis," said Mr Paul Chertkow, head of global currency research at UBS Phillips & Drew. "To safeguard the value of their money, investors are putting their money in D-Marks instead."

While UK-based funds, which are generally sterling-based, were relatively inactive, there was widespread selling of sterling by fund managers in Asia, continental Europe and the US.

Meanwhile, corporate treasurers were trying to reduce their companies' exposure to a potential devaluation of sterling. Such action is often taken by hedging through the options market. However, extremely volatile market forced corporate treasurers to take more drastic action.

"The market is basically saying that it does not believe sterling can escape a realignment," said Mr Julian Simmonds, head of foreign exchange at Citibank.

In the end, sterner measures were needed.

Chancellor Norman Lamont (pictured above) last night said:

"Today has been an extremely difficult and turbulent day. Massive financial flows have continued to disrupt the functioning of the exchange rate mechanism.

"As chairman of the council of European finance ministers I have called a meeting of the monetary committee in Brussels urgently tonight to consider how stability can be restored to foreign exchange markets.

"In the meantime the government has concluded that Britain's best interests are served by suspending our membership of the exchange rate mechanism.

"As a result the second of the two interest rate increases that I sanctioned today will not take place tomorrow. The minimum lending rate will be at 12 per cent until conditions become calmer.

"I will be reporting to cabinet, discussing the situation with colleagues tomorrow and may make further statements then. But until then I have nothing further to say."

Uncertainty for homeowners until French vote

By Philip Coggan and Robert Peston

HOMEOWNERS will probably have to wait until next week to see if the rise in official interest rates is translated into costlier mortgages.

Building societies seem to be waiting until after Sunday's French referendum on Maastricht before deciding. The hope is that the jump to a higher level will be temporary and that the mortgage rate will not have to follow suit.

Societies are well aware that a rise in rates would further damage the already feeble housing market.

The main reaction from some lenders was to withdraw offers of fixed-rate mortgages below 10 per cent. Those tend to be funded by borrowing in the wholesale markets and thus quickly become unprofitable when rates rise.

Savers might benefit from higher interest rates but will have even longer to wait. Building societies are traditionally slower to raise rates for savers than for borrowers. Given that societies have been complaining about pressure on their margins, an increase in savings rates may be limited.

But investors may be able to look forward to increased income from fixed-rate products such as guaranteed income bonds and annuities. Rates on such products are determined by gilt yields, which rose yesterday.

Most banks will not decide whether to raise mortgage rates and other "managed" interest rates for personal customers and small businesses until financial markets stabilise. NatWest and Barclays may decide in the next two days, although Lloyds said it would not alter rates until after the French referendum.

Bank loans linked directly to base rates rose by at least 2 percentage points yesterday.

Mortgage lenders waiting for end to turmoil

By David Barchard and Andrew Taylor

MORTGAGE LENDERS decided that the markets were in too much turmoil for any immediate decision on new interest rate levels.

Mr Andrew Longhurst, chief executive of the Cheltenham & Gloucester, the sixth largest society, summed up the view of the building society industry: "There is such turmoil going on that we cannot take any sensible view about the short, medium or longer term. This is potentially bad news for borrowers but when and to what extent one cannot yet foresee."

Even the centralised lenders which usually respond to a interest rate increase much more swiftly than the building societies confessed themselves perplexed.

The Household Mortgage Corporation said: "There is no way you can set a mortgage rate at the moment, because there is no way you can see what the cost of funds is going to be even in a week's time."

Mr John Wriglesworth, housing finance analyst at UBS Phillips & Drew, said: "This could destroy confidence and cause house prices to plunge even further next year than they have done this year."

Mr Michael Jones, president of the National Association of Estate Agents, said the increases would kill stone dead an already faltering housing market.

Lenders fear that any increase will be the last straw for many of the 305,000 households with mortgage arrears of more than six months.

The Association of British Insurers said that widespread increases in mortgage rates could mean that insurance companies which have provided mortgage indemnity policies could face a further huge rise in losses.

Small business braced for impact

By Charles Batchelor

MR CHRIS TUBBS, managing director of Tubbs Elastics, a family business with turnover of nearly £8m and 200 employees, reacted swiftly to the two-stage increase in interest rates.

He postponed the purchase of three new directors' cars, put off upgrading of the company's computer system and cancelled a photocopier machine contract.

Mr Tubbs may have reacted more rapidly than most small companies, but his concern at what proved to be a shortlived rise to 15 per cent was not untypical.

Mr David Richardson, a Leeds partner of chartered surveyors Weatherall, Green & Smith, said: "I don't want to speak of shock and horror . . but a hike of 50 per cent in interest charges is horrific. Businesses cannot sustain interest rates at that level given present rates of economic activity."

Small businesses are more sensitive to interest-rate movements because they depend to a greater extent than large companies on borrowed funds. They are often less sophisticated in financial management techniques and lack negotiating muscle.

The banks calculate that only half their small business customers have borrowings at any one time, but tend to use variable rate loans and are often reluctant to take out fixed-interest term borrowings.

The Forum of Private Business calculates that 37 per cent of its members have fixed-interest loans. Small businesses are also very dependent on short-term overdraft finance.

The Federation of Small Businesses calculated that if yesterday's 5-percentage-point increase in official interest rates fed through into base rates it would add £1bn a year to small businesses' interest charges.

NEWS: IMF WORLD ECONOMIC OUTLOOK

Fund reduces forecast of global growth

By Peter Norman, Economics Correspondent, in Washington

THE International Monetary Fund has found little to cheer about in the five months since it last produced a forecast on the world economy.

The IMF's latest World Economic Outlook says global economic activity showed signs of revival in the first half of this year and it projects continued recovery "at a moderate pace" over the next 12 months.

However, the fund has trimmed its expectations of world output growth this year by 0.3 percentage points since May, to 1.1 per cent, and cut its growth projection for 1993 by 0.4 points to 3.1 per cent. It warns: "The expansion continues to be slow and uneven, and the balance of risks remains on the downside."

The IMF attributes this state of affairs largely to the failure of its industrialised member countries to achieve important goals in the medium-term growth strategies they set for themselves in the 1980s.

While progress has been made towards reducing inflation, the record in other areas – such as cutting government deficits to encourage savings and investment, job creation through structural reform and the elimination of obstacles to efficient resource allocation – "has been disappointing".

The IMF laments the persistence of large budget deficits in many member states. "Major efforts to reduce fiscal imbalances are urgently required in many countries to improve confidence and strengthen prospects for sustained growth over the medium term."

It remains particularly concerned about conditions in the US. The underlying US deficit "remains unsustainably large," it says. The deficit "rules out discretionary fiscal expansion, which under current circumstances would only put more pressure on interest rates and undermine confidence further". It calls for "a determined new effort to reduce the federal budget deficit in the US".

Although there is widespread speculation that the US Federal Reserve could cut US interest rates again before the presidential election in November, the IMF warns that such action "would not now seem necessary".

Instead, the US authorities should be prepared to let interest rates rise as the US recovery strengthens, "to help keep aggregate demand on a sustainable path".

The IMF's interest rate advice reflects a very jaundiced view of the way in which monetary aggregates are working in the three leading economies – those of the US, Japan and Germany.

Variations in the three nations' yield curves and shifts in investments between various types of bank deposits mean that the money supply figures targeted by the authorities are failing to give clear signals.

In what amounts to an appeal to the Bundesbank in Germany to pursue a less dogmatic approach to monetary policy, the IMF says: "At this juncture, monetary aggregates in all three countries do not provide an unambiguous guide for the conduct of monetary policy; the authorities must therefore rely on a wider range of indicators." The IMF would like Germany, as well as the US, to tackle its fiscal deficits. "An early reduction of the budget deficit will be essential to reduce the pressure on inflation and on interest rates," it says.

About the only industrialised country to emerge with much credit from the IMF's report is Japan. The IMF says that country's medium-term outlook remains strong. In particular, Japan has prepared well for pressure on its public finances associated with the ageing of its population.

This fiscal policy success should enable the government in Tokyo to focus more attention on structural reforms in such areas as financial markets, competition policy, agriculture and land management.

World Economic Outlook, to be published in October by the International Monetary Fund, Washington DC, USA 20431.

Output fall casts doubt on momentum of US recovery

THE US Federal Reserve yesterday reported a 0.5 per cent decline in industrial production last month, raising fresh doubts about the momentum of the US recovery, Michael Prowse reports from Washington.

The drop in production – the biggest since January – was announced as the International Monetary Fund forecast a moderate US recovery next year and urged swingeing cuts in the federal budget deficit.

The IMF predicted growth of 2 per cent this year, rising to 3 per cent next year. It based its optimism on recent falls in short-term interest rates to 20-year lows and on a strengthening of private sector finances as debts are repaid and the maturity of loans extended.

However, Mr Michael Mussa, the IMF's chief economist, said there were few precedents for the financial strains faced by the US and other countries as a result of weak asset prices and the debt build-up of the 1980s.

The fund had been surprised by the abnormally slow pace of the recovery: growth had been "less than half the pace of the slowest previous recovery" since World War Two.

Officials said subdued US business and consumer confidence partly reflected failure to address severe budgetary problems.

The IMF indicated the US should cut the federal deficit by the equivalent of four to five percentage points of gross domestic product over the next five years.

This would require a combination of spending cuts, including restraints on entitlement programmes such as health care and pensions, and tax increases.

Appropriate tax measures could include the introduction of a 5 per cent value-added tax and a modest levy on carbon emissions. Together, these could raise revenues equivalent to 1 per cent of GDP by 1997.

The Fed said US production had been affected by Hurricane Andrew, which accounted for 0.1 per cent of the decline last month, and by a strike at General Motors, the car company. However, even allowing for special factors, the report was bleak: nearly every industrial sector registered declines in output – some were considerable.

Manufacturing production fell 0.3 per cent and the capacity utilisation rate in industry fell a sharp 0.5 percentage points to 78.5 per cent.

The drop in production follows recent reports of falls in retail sales, employment, industrial orders and consumer confidence.

WORLD ECONOMIC OUTLOOK HIGHLIGHTS

	1991	1992	1993
Output (Real GDP)*			
World	0.1	1.1	3.1
Industrial countries	0.6	1.7	2.9
US	-1.2	1.9	3.1
Japan	4.4	2.0	3.8
Germany	0.9	1.8	2.6
UK	-2.2	-0.8	2.1
EC	0.8	1.4	2.3
Developing countries	3.2	6.2	6.2
Africa	1.5	1.9	3.3
Asia	5.7	6.9	6.6
Middle East + Europe	0.3	9.9	8.7
W. Hemisphere	2.9	2.8	3.9
Eastern Europe	-13.7	-9.7	2.4
Former USSR	-9.0	-18.2	-6.5
Consumer Prices*			
Industrial countries	4.4	3.3	3.2
US	4.3	3.1	3.1
Japan	3.3	2.2	2.4
Germany	4.5	4.9	4.2
UK	5.9	3.8	3.0
Developing countries	42.5	42.4	27.7
Africa	27.1	28.8	18.6
Asia	9.0	8.4	8.1
Middle East + Europe	22.1	16.4	16.5
W. Hemisphere	163.2	178.9	87.6
Eastern Europe	134.9	796.4	42.1
Former USSR	88.9	1296.2	134.5
Unemployment rates (%)			
Industrial countries	7.0	7.7	7.6
US	6.8	7.5	7.1
Japan	2.1	2.1	2.2
Germany	6.7	7.8	7.7
UK	8.0	9.8	10.1
EC	9.2	10.0	10.0
Current Account ($bn)			
Industrial countries	-23	-23	-36
US	-4	-35	-55
Japan	73	110	101
Germany	-20	-22	-9
UK	-11	-19	-19
EC	-61	-71	-57
Developing countries	-78	-52	-53
Eastern Europe	-6	-3	-4
Former USSR	-3	-16	-20
World Trade Volume*	2.3	4.5	6.7

*Annual percentage change

Source: IMF World Economic Outlook, September 1992

Foreign investment seen as key to future of Russia

By Michael Prowse in Washington

STIMULATING an increase in private foreign investment is the key to restoring prosperity in Russia and other former Soviet republics, senior World Bank officials indicated yesterday.

Mr Wilfried Thalwitz, bank vice-president for Europe and central Asia, said public sector agencies such as the World Bank and International Monetary Fund could provide a substantial share of the external financing needs of eastern European economies. But they were unlikely to be able to meet more than about 15 per cent of the needs of the former Soviet Union.

"The aim is to create conditions that quickly lead to large and increasing flows of private capital. This must play a predominant role in the medium term," said Mr Russ Cheetham, the bank's director of operations in former Soviet republics.

However, at present, private equity inflows were less than $500m for all republics combined; a "miniscule" figure relative to their needs. Hungary, by contrast, had already attracted about $1.5bn in private inflows. The Russian oil industry was one of the sectors most in need of foreign investment and expertise. The sector's total capital needs were about $25bn.

Mr Thalwitz said the bank planned to lend about $5bn to eastern Europe and the former Soviet Union in fiscal 1993, more than twice the total for last year. Some of the planned loans, however, were conditional on countries agreeing IMF programmes. The bank was earmarking $2bn-$2.2bn for Russia and other republics in fiscal 1993, which began in July. Loans to former Soviet republics could rise towards $4bn-$5bn in future years but no precise targets had been set.

Mr Thalwitz said risks for lenders were considerable. "I see a lot of hesitation and social tension that will slow" reform efforts. However, the bank hoped eventually for a return on its investments.

He said none of what were the centrally planned economies was likely to regain pre-reform levels of output before the end of the century. In some cases, the output decline would reach 40 per cent before a recovery began.

Third world rebounding

By George Graham in Washington

DEVELOPING countries are expected to record, this year and next, their strongest economic growth in a decade, the International Monetary Fund says in its World Economic Outlook.

Output in the developing world is projected to grow by 6.2 per cent in both 1992 and 1993, compared with 3.3 per cent in 1991. Senior IMF officials say this strength is one of the main reasons behind their forecasts for an economic recovery in the whole world.

The fund says the outlook has deteriorated in southern and eastern Africa, scene of drought and civil war. Elsewhere, however, lower US interest rates, with debt restructuring agreements, have mitigated the sluggishness of world demand and the weakness of commodity prices.

The IMF acknowledges the impact of lower interest rates but attributes much of the improvement in performance to the efforts of a increasing number of countries to overhaul their economic structures. The IMF says as many as 35 countries, accounting for more than half of developing world output, can now be said to have embarked on successful attempts at this kind of structural adjustment.

"The key to their performance has been determined efforts to reduce fiscal deficits and to control inflation. Equally significant has been their recognition of the importance of market forces: most of these countries have acted to liberalise foreign trade, to cut subsidies and to privatise state enterprises," the outlook says.

Prospects bleak for Britain

By Peter Norman in Washington

EVEN before yesterday's events in Britain, the UK economic outlook was bleak, according to the International Monetary Fund.

Alone of the Group of Seven leading industrial countries, Britain faced a year of declining output in 1992. The World Economic Outlook forecasts a 0.8 per cent drop in real gross domestic product for 1992 – in line with the latest London consensus forecast – after a 2.2 per cent decline in GDP last year.

For 1993, the IMF has forecast 2.1 per cent growth for Britain. This is well below the 2.9 per cent increase forecast for the industrialised countries as a whole. It also takes no account of the effects of the latest sterling crisis on business and consumer confidence.

Writing before the big interest rate increases yesterday, the IMF warned that the UK had "not yet emerged from recession" and that its short-term interest rates were "relatively high in real terms".

The fund expects UK employment will drop this year by 1.8 per cent, after a 3.1 per cent decline in 1991. Britain's unemployment rate is expected to rise to 10.1 per cent next year from 10 per cent in 1992 and 9.3 per cent last year.

About the only encouraging news is the forecast that consumer price inflation will drop to 3 per cent this year from 3.8 per cent in 1992. But the IMF warned that earnings increases in Britain continue to outpace productivity gains.

NEWS: INTERNATIONAL

Bundesbank warning on needs of east

By Andrew Fisher in Frankfurt

THE Bundesbank yesterday accused German public authorities and wage negotiators of failing to take enough account of the continuing high financing needs of east Germany.

It also warned the government against being too ready to seek fresh sources of revenue to finance east German reconstruction, without first reining back spending. Warnings against inflation, generous fiscal policies, and high pay settlements have been a constant refrain of the Bundesbank since unification, with currently high interest rates resulting from its attempt to hammer home its message.

In its monthly report, written before the upheavals on currency markets, the central bank said west Germany would have to get used to the fact that high transfer payments to the east would be needed for longer than first thought.

The restructuring of east Germany's economy was proving more time-consuming and costly than expected. While the west German economy had weakened, but was not showing recessionary tendencies, that in the east had still not begun a self-sustaining upswing.

Unemployment in east Germany was still the most severe problem, even though incomes of most households had improved considerably since unity. The gap between sinking output and rising incomes was being financed by high transfers from the west.

The Bundesbank expressed continued concern about wage trends in east and west Germany. It was especially worried about the planned rise in public sector pay in the east to 80 per cent of west German levels next July. This would add to the financial burdens of the east German states, already striving to make new infrastructure investments.

The bank urged strict restraint on the public sector in view of the steady flow of new proposals for raising extra finance. "The tapping of new sources of revenue cannot be a substitute for continued savings efforts." This applied also to new borrowing instruments.

The Bundesbank said the high wage rises of the past two years, as the gap with west Germany has been narrowed, had harmed the competitiveness of many east German companies. These were already suffering from the shift to the free market, and from the collapse of eastern European markets.

However, the bank saw some hope for the east German economy in the fact that unemployment had remained lower than feared. The figure of 1.2m jobless in the east at the end of August was 175,000 less than at the start of 1992. The number on short-time working fell by 235,000 to 285,000.

Clinton wins hands down in Silicon Valley

By Louise Kehoe in San Francisco

PROMINENT Silicon Valley executives and venture capitalists, including several self-described "life-long Republican voters", have endorsed Governor Bill Clinton as their preferred candidate for president in an unprecedented declaration of political allegiance.

"Bush has given up on California, and we have given up on him," said one industry executive at a gathering of newly declared Clinton supporters in San José this week.

Mr John Young, president of Hewlett-Packard, praised Mr Clinton and his campaign advisers for their responsiveness to high-tech industry and trade issues.

"I have had hours of conversations with leaders of the Clinton campaign and I have seen a response that I am not used to," Mr Young said.

As a recognised Republican, one-time chairman of the Reagan-appointed commission on industrial competitiveness and a member of the Bush administration's advisory committee for trade policy, Mr Young's backing for Mr Clinton demonstrates the level of dissatisfaction that high-technology industry leaders feel toward the Bush administration.

Mr John Sculley, chairman and chief executive of Apple Computer, also endorsed the Clinton campaign.

The Democratic candidate, he said, "has shown the leadership and vision needed to put this country back in the forefront of leading the world again".

"I'm tired of sitting on the sidelines and watching America lose its competitiveness," Mr Sculley added.

Mr Clinton, noting that the high-technology leaders who were lending him their support represented companies with sales in excess of $25bn (£12.6bn), said: "I am excited, I am proud. This is unprecedented for a candidate of my party. If the economy as a whole performed as well as these companies... we would be in much much better shape than we are today."

Mr Clinton said that his "national technology policy for America" would stress joint ventures between government and industry.

Governor Clinton working the crowd at San José University during his swing through California this week when he was endorsed by many top executives in the hard-hit computer industry

Jurek Martin analyses the results in the congressional primaries

US voters seek fresher faces

WOMEN, non-incumbents and, probably, Mr Bill Clinton and the Democratic party emerged yesterday as the principal beneficiaries of the final round of congressional primaries held on Tuesday.

The victory in the Washington state Democratic primary of Ms Patty Murray brings to 11 the number of women who will contest US Senate seats in November – 10 of them Democrats. This beats the old record of 10, set in 1984, and this time at least five of the women candidates start the home stretch favoured to win.

Other primary results across the country brought to 86 the number of incumbents in the House of Representatives who will not be returning next year. Of these, 19 have been defeated, 65 have retired, in some cases to seek other offices, and two have died.

Given the vulnerability of some other incumbents who will be on the November ballot, the probability is that next year's freshman class in the House will be larger than the 118 new members returned in 1948. Although 57 of the now vacant seats were held by Democrats, most of them will probably stay in the party's hands.

In the Senate, with nine out of the 34 seats at stake in November vacated by incumbents, it is now thought that the Democrats will add to their current 57-43 majority by three or four seats. In some states, like California, Illinois and Pennsylvania, powerful local women candidates may help Mr Clinton.

This week's polls, national and local, have brought good news for the Democratic candidate, offsetting the continuing controversy over his avoidance of military service 23 years ago.

Both the Newsweek and Washington Post/ABC surveys have him back up to a 15 point lead. The New York Times/CBS poll out yesterday gave him a 49-37 per cent margin, up a little bit from its previous survey. The Los Angeles Times poll in California had him 21 points up at 57-36. Of the bigger states, only Florida, a Republican bastion, offered encouragement for President Bush with a poll out yesterday showing him 7 points ahead.

The general message from all of them is Mr Clinton consolidating his lead, mostly because of the parlous state of the economy and the lack of confidence in Mr Bush's ability to fix it. Putting Mr Clinton on the defensive over the draft issue has produced some tactical victories for Mr Bush, but does not seem yet to have taken hold with the public.

Nevertheless, the Washington Post reported yesterday that the Bush campaign had more or less decided to stop emphasising the positive.

It will go for the Clinton jugular. "We're not going to start moving (in the polls) until we rip the skin off the guy," one official was quoted as saying. It was also announced yesterday that the first debate between the US presidential candidates, scheduled for East Lansing, Michigan, next Tuesday had been cancelled because the Bush campaign had failed to agree on the conditions under which it would be held.

Further complicating matters was the latest in a long line of hints from Mr Ross Perot, the Texas billionaire, that he might get back into the race if both candidates failed to address the problem of the budget deficit. But he also hinted in an interview with the Los Angeles Times that he might endorse Mr Clinton if he took a tough stand on cutting federal spending.

■ Mr Marion Barry, the former mayor of Washington, DC, won election to the city council on Tuesday. He had been forced out of office two years ago, and subsequently into jail, on drugs charges.

Ferraro loses close New York battle

By Alan Friedman in New York

MR ROBERT ABRAMS, New York's attorney-general, yesterday claimed a razor-thin victory over Ms Geraldine Ferraro, the former vice-presidential candidate, in New York's hotly contested primary battle to become the Democratic candidate for the Senate.

Ms Ferraro, who was on the receiving end of a vitriolic television advertising campaign in which Mr Abrams accused her of numerous ethics violations, refused to concede defeat.

With 99 per cent of New York precincts reporting, Mr Abrams had 410,402 votes, or 37 per cent, while Ms Ferraro had 399,410 votes or 36 per cent. Two other candidates split the remaining votes. Ms Ferraro, although clearly disheartened after spending millions of dollars on the Senate race, argued that she might yet win when absentee ballots are counted.

The Democratic victor will stand against incumbent Senator Alfonse "Al" D'Amato, a right-wing Republican who has himself been the target of ethics probes and who has been rebuked by the Senate Ethics Committee. Mr Abrams, a liberal, has argued that he is better placed than her to challenge Mr D'Amato on ethics matters.

In Manhattan, Democrats heeded the call of party leaders and voted to elect the late Mr Ted Weiss, a liberal Democrat who died on Monday. The Democratic party will now select Mr Weiss's successor for the November election.

Congress lauds absent Brandt

By Leslie Colitt in Berlin

MR Pierre Mauroy, the former French premier, today succeeds Mr Willy Brandt as President of the Socialist International (SI) at the close of its emotional three-day congress in Berlin.

Even in his absence the 79-year-old Mr Brandt, suffering from cancer and confined to his home near Bonn, dominated the gathering of 800 delegates from socialist and social democratic parties in 132 countries.

Delegates' eyes moistened as the former German Chancellor's welcoming speech to the congress was slowly read by Mr Hans-Jochen Vogel, former chairman of the Social Democratic Party (SPD) who succeeded Mr Brandt. It was given thunderous, standing ovations.

"Dear friends, need I tell you how much I wanted to be with you especially during these days? But it was not to be," Mr Brandt's speech began. The remainder of the address was a testament – summing up his life as a political refugee from the Nazis, a leader of postwar Germany, the foremost proponent of East-West detente and influential leader of the SI for 16 years.

He also warned that to tolerate injustice for long was to open the way for more injustice and appealed to give the United Nations the means it needed in order to achieve greater influence.

The delegates included noticeably fewer world leaders than in the heyday of the socialist parties in the 1970s: Ms Gro Harlem Brundtland of Norway and Mr Yitzhak Rabin, the Israeli prime minister who called on Germany to regard the wave of attacks on asylum-seekers as "red warning signals" and to prevent a recurrence of the past.

The most remarkable appearance at the congress was by Mr Mikhail Gorbachev, the former Soviet leader, who addressed the gathering yesterday. He announced that he would accept the freedom of Berlin on the third anniversary of the fall of the wall in November along with former President Ronald Reagan.

UN chief points to dangers in Balkan war

By Michael Littlejohns, UN Correspondent, in New York

MR Boutros Boutros Ghali, the UN secretary-general, yesterday urged a wider international effort to deal with what he termed the horror of the conflict in Bosnia, warning that the unfolding Balkans crisis might lead others in similar situations to resort to war rather than negotiation.

Presenting his first annual report to the UN general assembly, which began a new session on Tuesday, he stressed that even with 15,000 international troops in former Yugoslavia and over 5,000 more soldiers now authorised to join an existing 1,500 in Bosnia, the expectations placed on the world body exceeded the resources and the capacity of the UN protection force.

He observed that the Yugoslav upheaval illustrated how the end of the cold war had opened a Pandora's Box of causes and conflicts. In past years, these would have been regarded as "points of loss or gain in the calculations of the bipolar powers".

Without the cold war structure to deal with them, the UN must provide approaches and answers, he said.

The Yugoslav conflict, with its international dimension, must lead those in similar conditions of instability and confrontation to accept that the only route for change was one that was legal, peaceful and contributed to international peace and security, he added.

No aid to unsafe N-reactors

By Bronwen Maddox, Environment Correspondent

CRUMBLING nuclear reactors in eastern Europe and the former Soviet Union are unlikely to get financial aid from OECD countries this winter, following the failure of the Brussels meeting on nuclear safety to commit itself to rescue programmes.

Provisional pledges of aid from the Group of 24 industrial countries amounted to $600m-$700m, delegates said yesterday, but the meeting, which ended on Tuesday night, extracted no new firm commitments.

Although concern about a Chernobyl-type accident has been growing since the extent of the disrepair of eastern power stations emerged, only $300m in bilateral aid deals has so far been agreed.

The Brussels meeting was summoned when a G7 meeting in July failed to agree an $800m emergency plan.

This week's packed meeting, which included representatives from over 100 countries and regulators, rejected the proposal of a central rescue fund in favour of further bilateral agreements.

Mr David Kyd, spokesman of the International Atomic Energy Authority, the nuclear watchdog, which will now have a Brussels-based representative, said: "There was a distinct lack of specifics. Some eastern European countries feel the committee's plans will begin to have an effect in 1993, but that they will be left to muddle through the winter".

Because of electricity shortages, many of the 58 reactors in the former Soviet Union and eastern Europe will be run close to full capacity this winter in spite of safety hazards.

The committee set up a working party on urgent improvements at Kozloduy, in Bulgaria, which last year was called the most dangerous nuclear power station in Europe, but the Bulgarian delegation said last night that the Brussels meeting had committed no new funds.

● A small amount of radioactive water leaked out at a Russian nuclear power plant on the Kola peninsula at the weekend, according to an official at the Finnish Centre for Radiation and Nuclear Safety, Reuter adds.

Mr Risto Paltemaa, a chief inspector, said the Centre had received information about Saturday's leak from Russian authorities following local radio reports.

He said the leak, at the Kola nuclear power plant close to the town of Polyarnyye Zori, did not endanger the environment.

According to his information, there had not been any leaks outside the building.

No increased radiation levels had been detected in the surrounding area and no abnormal radiation levels had been recorded in Finland. Mr Paltemaa said the water had leaked from a tank in a separate building to the reactor.

Two strikes add to French unease

By Alice Rawsthorn in Paris

THE French government yesterday attempted to defuse embarrassing industrial disputes with prison officers and airline pilots to calm the political climate before Sunday's referendum on the Maastricht treaty.

The justice ministry suspended more than 100 striking prison officers following the breakdown of talks with the prison unions on Tuesday. Four warders at Saint-Quentin-Fallavier jail in Isère started a hunger strike outside the prison gate to protest against their suspension.

Conditions in many jails have deteriorated since the dispute started last weekend after inmates murdered an officer at Clairvaux jail. The ministry claimed the situation was improving, with 107 of France's 182 jails affected by the dispute yesterday compared with 140 on Tuesday.

However, there were violent incidents at many prisons including a clash between riot police and picketing officers outside Rodez jail.

Since the strike began the government has been haunted by television images of rioting prisoners and warders complaining about inadequate security.

The government yesterday faced the additional blow of a 24-hour strike by airline pilots protesting against proposed changes in working arrangements which, they claim, will result in longer flight times and shorter restbreaks.

Air France was forced to cancel a quarter of its European flights, but managed to operate its long haul service. Air Inter, the domestic airline, axed a third of its flights as did TAT, the European airline.

Austria moves to end anonymous accounts

By Ian Rodger in Vienna

THE Austrian government will raise its withholding tax on savings and dividends next year to approximately 20 per cent, in a move that is intended to clear the way for outlawing the country's controversial anonymous bank accounts.

The accounts are an embarrassment to Austria, as they have been used for laundering drug money. However, they are a politically sensitive issue within the country where virtually everyone uses them to avoid paying high rates of tax on their savings. The government has tolerated the situation by claiming a flat 10 per cent withholding tax on all savings account balances.

Individuals are still supposed to declare their savings and, in cases where the tax payable would be higher than the withholding tax, they remain liable for it.

The government hopes the withholding tax on savings will gradually make people less nervous about having to identify themselves as the owners of savings accounts.

Negotiations on the fine points have not yet been completed. Some officials believe that the higher withholding tax must also displace inheritance taxes if it is to succeed in removing people's anxieties.

The country has to outlaw anonymous accounts as part of its obligations on joining the European Economic Area next year.

Concern as Bosnian food crisis worsens

By Our Foreign Staff

THE United Nations High Commissioner for Refugees (UNHCR) said yesterday that conditions in the besieged Bosnian city of Sarajevo were worsening and UN stores have dwindled to three days' food supply since the suspension of humanitarian flights.

Sarajevo radio, which is in Moslem hands, reported seven Serb air attacks on Jajce in western Bosnia after the UN complained of earlier air strikes on the Moslem town of Bihac further north.

The attacks prompted calls by UN officials for the urgent creation of a no-fly zone over Bosnia. The US defence secretary, Mr Dick Cheney, was discussing the idea with senior French officials in Paris.

Despite the fighting, international mediators who will head peace talks in Geneva tomorrow, said yesterday that there was a "new mood" in Belgrade which could provide a boost to prospects for peace.

Mr Cyrus Vance, the UN envoy, and Lord Owen for the European Community said they would continue to talk to all sides despite moves to oust Yugoslavia from the UN. "It would be foolish not to recognise that we are dealing with a more helpful and progressive attitude in Belgrade than we had in the past," said Lord Owen.

Cyrus Vance and David Owen in Geneva yesterday where they pledged to keep talking to all sides

Mr Vance said the Yugoslav prime minister, Mr Milan Panic, and President Dobrica Cosic had made "very, very important commitments", including rejection of "ethnic cleansing" and pledges to help reverse it. In the breakaway Serb Bosnian parliament, the speaker, Mr Radoslav Brdjanin said: "We are completing the job around Jajce which is about to be liberated. Jajce was and will remain Serb and there will be no deals."

■ Mr Panic proposed yesterday that the rump republic combining Serbia and Montenegro make a fresh application for UN membership, Itar-Tass news agency reported after talks in Moscow with Russian Foreign Minister Andrei Kozyrev. The suggestion was aimed at defusing a dispute with the EC over whether the Serb-dominated territory should keep Yugoslavia's seat.

■ An Italian relief aircraft which crashed in Bosnia earlier this month was shot down by a missile, an official report released yesterday said. The report, compiled by military experts from Italy, did not say who fired the missile. The aircraft was taking part in an airlift to bring food and other supplies to Sarajevo.

The UNHCR quoted the report as saying: "The results obtained so far suggest that without any doubt the aircraft G-222 had been struck at least by one missile that had probably been provided with infra-red guidance."

■ The European Community is preparing to agree to release Ecu120m (£87.2m) next week to help refugees in former Yugoslavia survive the winter.

Mr Tristan Garel-Jones, Britain's foreign minister responsible for Europe, told the European parliament yesterday that talks on the proposal, which would cover the need for food, shelter and medicines from October to December, were being held this week.

EC officials in Brussels said the proposal could be approved by agriculture ministers who meet on Monday. The EC has already given Ecu179m to help people displaced by the fighting in Yugoslavia and Commission officials said Ecu85m of this had still to be spent.

Austria still profits from special relationship

One-time middleman trade with former Comecon states survives bloc's break-up, writes Ian Rodger

WHEN the Soviet empire collapsed three years ago, Austrians feared much of their trade would disappear.

The country had long profited from its cold war role as a reliable supplier and discreet middleman in often clandestine east-west trade. In the mid-1980s, Austrian exports to countries of Comecon, the Soviet trade bloc, totalled ASch25bn-ASch30bn (£1.3bn-£1.6bn) a year, about 8 per cent of its total trade. Imports were on a similar scale.

Today, to the surprise and pleasure of Austrian leaders, the economic resurgence of Czechoslovakia, Hungary and Poland has already more than offset losses in other former Comecon countries. These three account for more than 80 per cent of former Comecon trade, according to Austrian officials.

In the first six months of this year, exports to the three amounted to 11 per cent of Austria's exports. Austria has been more successful in trading with these countries than any other western country, a fact that goes some way to explaining why the Austrian economy has resisted recession longer than those of its western neighbours.

Austria's trade with these countries has grown sharply in the past three years, although in the case of Poland the growth stopped in the first half of this year.

Mr Egon Winkler, Austria's overseas trade director, is optimistic that the trend will continue and perhaps broaden to other eastern countries. "The demand for products we can offer is very large in the CIS [Commonwealth of Independent States] countries, but financing is a problem."

He says the composition of the eastern trade is already broadly based. "The outstanding items are, as you would expect, construction equipment and materials, services and machinery."

According to the Austrian Institute of Economic Research (WIFO), 14 per cent of the 49,000 joint ventures set up in eastern Europe have been made by Austrian companies. And of the roughly $13bn (£6.5bn) invested in eastern European countries, 6.5 per cent has come from Austria.

Austria is trying to cement relationships by offering management training to fledgling businessmen from eastern countries. Mr Johann Farnleitner, deputy secretary general of the Austrian Chamber of Commerce, says more than 12,000 people have gone through 420 courses to date. "They are grateful, and we make sure they have a short stay with an Austrian company while they are here. It is the beginning of a number of networks."

The drawback for Austria is low-priced imports from the eastern countries. The main victims are Austrian makers of cement, fertilisers, farm machinery, building materials and, to a small extent, low grade steels. (Agriculture would be another, but Austria, like the EC, fiercely protects its farmers.)

Companies in these sectors have been demanding protection from what they consider dumping by the eastern countries. Austrian officials acknowledge that eastern companies benefit from low wages, low energy prices and virtually no environmental protection costs, but they are in a difficult position. Austria's exports to Hungary exceed its imports from that country by a third. The surplus with Czechoslovakia is 20 per cent. "It is hard for us to do anything to help these hurt sectors because we are doing so well overall," Mr Farnleitner says.

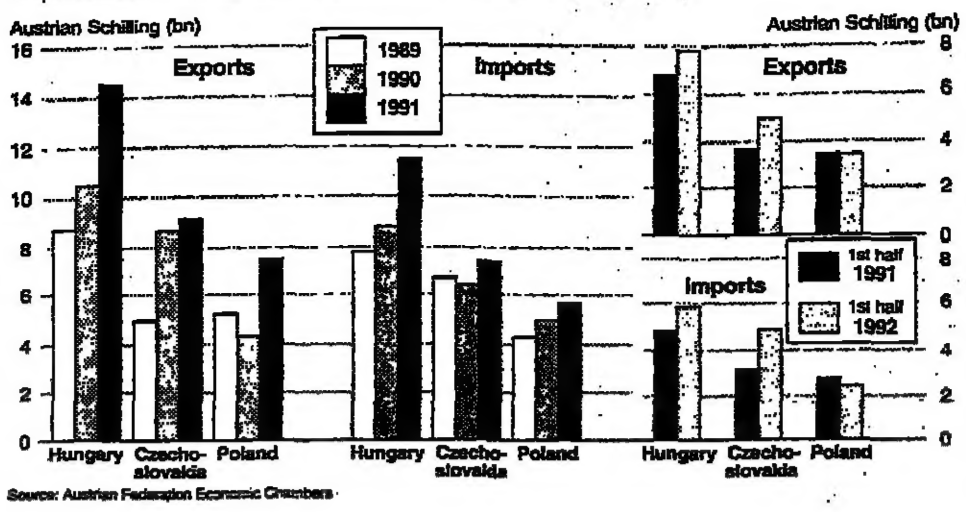
Austria's policy is to try to give these sectors time to adjust. In the case of cement, which is causing acute problems, the government hopes to set up an orderly marketing agreement with eastern producers to start when import quotas are removed at the end of this year.

Some observers estimate that up to 100,000 Austrian jobs may be lost as a result of the new eastern competition. Mr Farnleitner puts the figure at up to 40,000.

Mr Franz Vranitzky, the federal chancellor, who has to bear the political pressure of this development, observes wryly: "It is one of those difficult situations in which you see macro-economic success and micro-economic defeat."

Another problem has arisen as a result of the association agreements between the European Community and the three eastern countries. The agreements stipulate that goods must move directly between the two to win duty-free status. This causes problems for Austria and other members of the European Free Trade Association (Efta), especially for the many large European companies which have established depots in eastern Austria to serve eastern Europe.

Talks are to be held soon between EC and Efta officials to try to resolve the problem.



Source: Austrian Federation Economic Chambers

China resists US pressure to cut tariffs

By Yvonne Preston in Beijing

THREE days of talks between the US and China, aimed at heading off the threat of a trade war over access for US goods, have ended in failure.

Mr Michael Moskow, the deputy US trade representative, said nevertheless he remained "hopeful" of progress.

The dispute over access to the Chinese market for US goods threatens to blow up into a trade war. The US deficit with China stands at $12.7bn and is rising. Washington argues that China cannot be allowed to run up a huge trade surplus while keeping its own markets closed through tariffs, import licensing and other barriers.

The US has warned it will impose punitive tariffs on about $4bn of Chinese products if the row is not resolved. Mrs Carla Hills, the US trade representative, last month issued a 44-page list of Chinese imports, including footwear, silks, luggage and electronic goods, that could face a doubling of tariffs unless China takes significant action to open its market by October 10.

China retaliated with a threat to impose higher tariffs on US imports.

The war of words between the two hotted up with the decision of President George Bush to sell F-16 fighters to Taiwan. Beijing reacted furiously, adding to the strain on bilateral relations. Outraged commentaries in the Chinese media accused the US of deceit, lies and interference in China's domestic affairs.

Beijing said it would refuse to co-operate with the US in the UN and would stop buying American wheat if the F-16 sale went through.

Mr Moskow said in Beijing yesterday the Chinese side had commented on US arms sales to Taiwan but it was not a serious part of the discussion. He stressed that the negotiations, which began a year ago, had focused on trade.

Further talks are to be held in Washington in early October. One observer said he expected China to respond to US pressure at the eleventh hour, as it did in negotiations with the US on copyright and intellectual property.

Heavily dependent on exports to fuel its economic boom, China would come off worst in any trade war and is unlikely to risk a confrontation.

Only 2 per cent of US exports go to China, but America takes 20 per cent of Chinese exports.

Mr Moskow said the outcome of the negotiations would affect US treatment of China's most-favoured-nation trade status and on US attitudes to China's accession to Gatt.

Algeria to control imports

By Francis Ghilès

ALGERIA has set up a government committee to decide on import priorities. This marks a reversal of the policies followed since 1990 of liberalising a strictly centrally-controlled economic system.

The government said it was acting "to contain the risk of economic, social and political collapse", a reference to the resurgence of Islamic fundamentalism since the electoral process was suspended last January and to the unprecedented economic strains from the debt service ratio of the last three years.

Priority will be given to imports of foodstuffs, running at about $1.8bn this year, pharmaceutical products and building materials. The decree urges importers to "limit their foreign exchange spending to a strict minimum" and to forego ostentatious purchases such as luxury cars.

Imports are expected to reach about $7bn this year while exports, mainly oil and gas, will reach $11.3bn. However, because of the very heavy cost of servicing foreign debt, the ratio of repayments to foreign income is expected to remain high, at 74 per cent.

Daimler in Mitsubishi engine deal

By Steven Butler in Tokyo

MITSUBISHI Motors of Japan and Daimler-Benz are close to an agreement under which Mitsubishi will supply the German vehicle group with diesel engines for light trucks.

Mitsubishi confirmed yesterday the two companies were negotiating an engine deal, although it refused to discuss details.

The deal, expected to be concluded by year end, would mark one of the first tangible co-operative arrangements between the two companies, following a widely publicised decision by the two in 1990 to seek a broad strategic alliance.

An earlier agreement between the two companies under which Mitsubishi dealers in Japan have been selling Mercedes-Benz cars has run into difficulties, in part because Mercedes is interested in developing independent dealers in Japan who specialise in its vehicles.

The Nihon Keizai Shimbun newspaper reported that Mitsubishi would be developing a 2,800cc diesel engine for Daimler-Benz's T1 model vehicles, to be marketed from 1995. Mitsubishi would supply about 9,000 engines a year.

Hopes mount for River Plate bridge

By John Barham in Buenos Aires

ARGENTINA and Uruguay believe they have come a step closer to fulfilling a 100-year-old dream of building a bridge across the River Plate, which divides them.

Officials from both countries are pleased with the results of a two-day conference last week in Buenos Aires where more than 100 bankers, construction companies, consultants and architects discussed the project. The two governments believe the 55km bridge can be built entirely with private money.

The bridge would cost between $800m and $1bn (£526m). Investors would recoup their outlay through tolls and services ranging from fast food outlets to bureaux de change and duty free shops.

After 30 years the concession would be transferred to the two governments.

Economists estimate the bridge could yield rates of return on investment of 14-22 per cent a year. However, one engineer pointed out that a $1bn investment would require cashflows in excess of $100,000 a day – an improbable scenario. A banker said the risks of such a large, fixed investment would make some form of state guarantee essential.

To be particularly attractive the project would also require a motorway link to southern Brazil. But serious discussions with Brasilia over construction of a motorway have hardly begun.

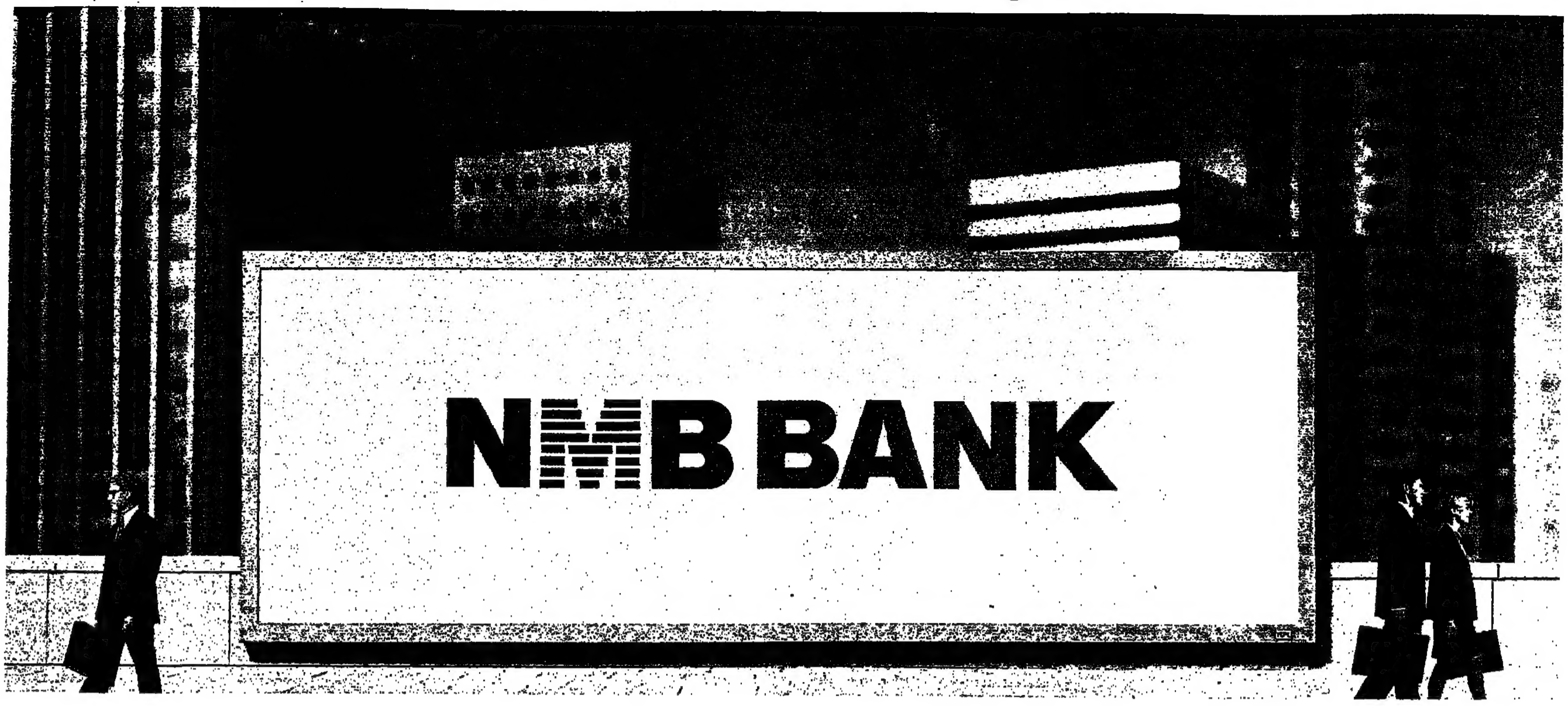
The bridge would present few technical difficulties; the only potential problem being the sinking of foundations into the estuary's soft, silty bed.

A consultant said that although the project would not have a great environmental impact, heavy traffic flows could alter social life in Uruguay's rural interior.

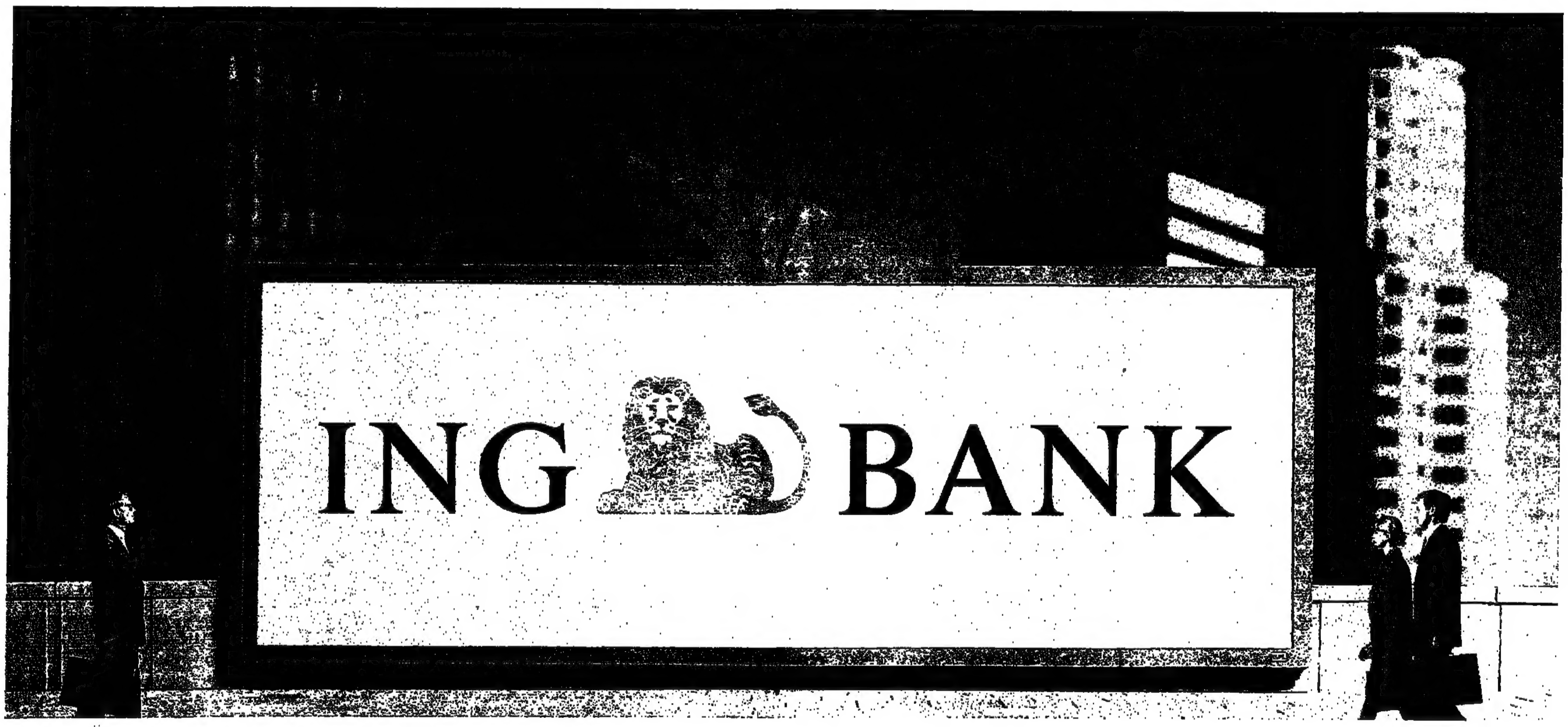
The two governments will spend several weeks considering suggestions made during the conference before drawing up terms of reference for a group of consultants to be hired with World Bank loans.

The consultants would report back in 1994. A consortium would then be chosen to finance, build and manage the bridge, with the hope of completion by 1998.

Yesterday.



Today.



NMB Bank has changed its name. We are now ING Bank, or in full, Internationale Nederlanden Bank.

We have made the change to emphasise that we are part of ING Group, one of Europe's major financial institutions.

Behind the new name, you will find the same distinctive and innovative international banking strengths. With over 60 offices in more than 30 countries, we are a world leader in Emerging Markets Banking; we hold a prominent position in Trade & Commodity Finance; and we are showing significant growth in International Private Banking and International Corporate Banking.

Today, as ING Bank, we are continuing to build upon these strengths for the future.

Internationale
Nederlanden
Bank

ING BANK

Japan's downturn gathers pace

By Charles Leadbeater in Tokyo

JAPAN'S Electronics Industry Association said yesterday it was preparing to apply to the government for subsidies to help the industry through the "employment adjustment" needed to cope with the recession, which has hit hard at consumer electronics manufacturers.

The Labour Ministry's central employment security council, an advisory panel, yesterday disclosed that five other industries had approached the government over employment subsidies and a further eight were considering doing so.

A company becomes eligible for the subsidy if its sales, production and employment fall by more than 5 per cent in three months. Employment subsidies cost the government Y40bn (£164.6m) in 1987, which was the last time they were extensively used as the Japanese economy was hit by a sharp appreciation of the yen.

While unemployment remains low, "employment adjustment" refers to the transfer of surplus workers.

The electronics industry's troubles present one of the clearest signals yet of how the recession is starting to eat in to Japan's industrial heartlands.

The association's call for employment subsidies followed a warning that electronics output, one of the mainstays of Japanese manufacturing, could suffer its sharpest fall since 1975.

The association said it had scrapped its original forecast of growth of about 5.6 per cent to a fall in the value of production of between 5 per cent and 8 per cent.

The fall has been led by a sharp drop in the production of consumer electronics, video cassette recorders, camcorders and audio products, which are expected to be about 17 per cent below last year's output.

Electronics output in the first half of the year was 10.4 per cent down on the same period in 1991.

Further grim economic statistics yesterday confirmed the parlous health of the Japanese economy. Corporate bankruptcies were up 28.9 per cent in August from a year earlier, according to a report by Teikoku Data Bank, the credit research company.

Although the number of bankruptcies rose sharply, the debts owed by companies which went bankrupt fell by 60 per cent from last year, reflecting the fall in large bankruptcies and the growing number of small companies falling prey to the recession. Bankruptcies in manufacturing were up by 68 per cent on last year, while real estate bankruptcies rose by 16 per cent. A growing number of bankruptcies are due to the downturn in the economy rather than the stock market fall, which had been the main force behind the rise in corporate failures over the past two years.

Further evidence of the weak state of the manufacturing sector was disclosed by official figures for orders of new machinery. Private-sector demand for new machinery rose 12.9 per cent in July against the month before, according to official figures from the Economic Planning Agency. However, most of the rise was accounted for by non-manufacturing companies.

Investment in new equipment by manufacturers continues to fall sharply in many sectors, with machinery orders 26.8 per cent down in the car industry, 13.8 per cent lower in textiles and 5 per cent down in the steel industry.

Protests lodged with Russia

By Steven Butler in Tokyo

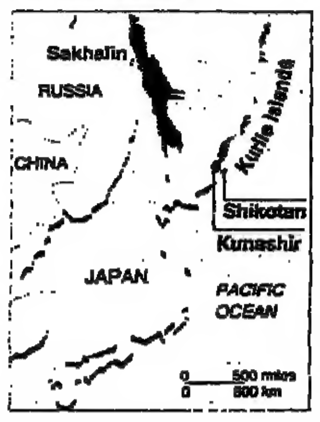
JAPAN HAS made an official protest to Russia over a development project on the island of Shikotan, part of the southern Kuriles chain seized by Soviet troops at the end of the second world war but still claimed by Japan.

The row was at the heart of the abrupt cancellation last week of a visit to Japan by President Boris Yeltsin. Relations between the two countries have since grown icy as each side has hardened its position and sought to blame the other over the cancellation.

The protest is over a decision by the Sakhalin provincial authorities to grant a development contract for part of the island to Carlson & Kaplan, a Hong Kong company. The contract involves a 50-year lease on 278 hectares of land, for which the company is to pay $125m (£63.4m). The company plans to build a casino.

The protest, delivered to the Russian Foreign Ministry in Moscow and to the Russian embassy in Tokyo, said that Japan could not tolerate the contract because it covered Japanese territory, which the former Soviet government had agreed in 1956 to return.

Mr Koichi Kato, chief cabinet secretary, said yesterday that Japan was ready to file a second protest if it was able to confirm reports that an Austrian company might obtain a contract to build a golf course on Kunishir, another of the disputed islands.



Hong Kong may accept airport deal

By Simon Holberton in Hong Kong

THE Hong Kong government yesterday appeared to reverse policy by accepting a Chinese solution to a dispute over financing for the colony's new airport, which would involve an increase in direct government funding.

It is understood that, at a meeting of a Sino-British committee yesterday, the British side agreed to use part of the revenue raised from the sale of land resulting from the construction of the airport and its connecting railway to fund the project.

The Hong Kong government's position has been that the package it had devised was the most cost-effective method of financing the project.

● China is seeking to restore order to its stock markets after August's riots in Shenzhen and a sharp fall in prices in Shanghai, Reuter reports from Beijing.

Quoting reliable sources, the state-controlled China News Service said new listings on the Shenzhen market had been postponed, plans for a third bourse shelved and a regulatory committee would be created.

Mideast accord

By Hugh Carnegy in Jerusalem

ISRAELI and Syrian officials said last night they had made significant progress during talks in Washington towards agreeing a joint statement of principles that would form the basis of substantive peace negotiations between them.

"We agreed on the general character of the settlement that we all want to see in the Middle East, we agreed that we all want a peaceful solution, we agreed on the mutual nature of the security problem and that security arrangements need to take into account the security needs of both sides," said Mr Itamar Rabinovitch, Israel's chief negotiator with Syria.

The optimistic comments from both parties were the most positive so far between Israel and Syria. If they achieve the aim of a joint statement by the end of the present round of talks next week, it will be an unprecedented breakthrough in four decades of enmity between them and would open the way to substantive talks on the core issue of the Golan Heights, occupied by Israel since 1967.

However, little progress was reported in the parallel talks between Israel and the Palestinians, Jordan and Lebanon.

India lifts oil prices

By Alexander Nicoll, Asia Editor

INDIA has raised petroleum prices by 18 per cent as part of its drive to reduce government subsidies and the fiscal deficit, Mr Manmohan Singh, finance minister, said in London yesterday.

Petrol went up by more than 7 per cent, diesel by 21 per cent and bottled gas, the most widely-used urban cooking fuel, by 22 per cent, from yesterday morning. Only kerosene, cooking fuel for the poor, was exempt from the increase.

"We have clearly shown our commitment to deal with the fiscal crisis," Mr Singh said, during a visit to Britain.

He said India's export performance was encouraging, if the drop in trade with the former Soviet Union, which used to purchase half of India's exports, was left out of account. Exports to convertible currency areas rose by 6 per cent in dollar terms last year, despite a squeeze on imports, and were now rising by 8 to 10 per cent.

Zimbabwe pins hopes on the coming of rain

Tony Hawkins reports on how drought has hit the economy hard

AS Zimbabwe slides inexorably into its deepest recession in 60 years, recovery hopes are pinned entirely on above-average rains in the coming season.

The economy is going into ever-steeper decline as the impact of last season's catastrophic drought is exacerbated by social problems and water and electricity shortages.

The government estimates that some 5m people, roughly half the population, are receiving drought relief. Two weeks ago, the monthly drought relief allocation was cut from 15 kilograms per person to 8 kg.

In Bulawayo, the country's second largest city which accounts for a quarter of industrial production, local officials warn that water will "run out" by the end of next month unless good rains fall before then. However, Bulawayo's rains do not normally start until mid-November.

The electricity crisis has its origins in prolonged official delays, first in agreeing a programme for new generation capacity and subsequently in imposing load-shedding.

The International Monetary Fund (IMF) has approved an SDR315m (£233.73m) three-year loan to Zimbabwe, of which SDR200.6m may be drawn under the enhanced structural adjustment facility. The balance comes under the extended fund facility.

Power cuts were first mooted in May, but then postponed in favour of electricity imports from Zaire. In mid-September a new rationing scheme was announced, but within 24 hours it had been temporarily postponed because of "a technical hitch".

The worst of the maize crisis too could have been averted had the government heeded repeated warnings going back to the late 1980s that its "cheap food" policy would lead to under-production.

Farm production is expected to fall 40 per cent this year, with maize deliveries at less than 30,000 tonnes compared with 1.8m tonnes in the mid-1980s. Cotton production collapsed to 52,000 tonnes from 320,000 three years ago, while sugar deliveries to mills were 3 per cent of normal levels.

Although production of the country's main export, flue-cured tobacco, increased despite the drought, quality was seriously affected. With three quarters of the crop, estimated at 180m kg now sold, the average price of Z$8.60 (90p) a kg is 25 per cent below last year's seasonal average of Z$11.57. On present trends, the signs are that the seasonal average will be close to Z$8, not far above the estimated break-even level of Z$7.50 a kg.

The fall in farm output will be partially cushioned by increased beef production and prices – the result of high forced slaughter rates – continued growth in horticulture, where exports have risen from Z$5m in the mid-1980s to the some Z$200m this year and tobacco earnings of about Z$1.4bn, still down almost 30 per cent on last year.

Hopes of a powerful farm-led rebound in the economy next year look increasingly fragile. Not only will 1992-1993 plantings be constrained by lack of irrigation water, but worsening water and electricity supply for all sectors of the economy will inhibit recovery.

Manufacturing output, which continued rising until May, is now falling sharply and industrialists expect an output decline of around 5 per cent in 1992. No recovery is likely until the latter half of next year, and that will be only modest given high nominal interest rates, falling investment and employment at home and deteriorating sales in South Africa, which is the country's main market for manufactured exports.

Drought – and the IMF – have forced the authorities to tighten both fiscal and monetary policy. Despite angry criticism from some businessmen, money market interest rates have been pushed above the inflation rate, currently 41 per cent, and further increases are inevitable before inflation peaks, probably not far short of 50 per cent, later in the year.

Mr Bernard Chidzero, the finance minister, has come in for sharp criticism, too, for his failure to cut public spending in his 1992 budget. This is misplaced, however, since after adjusting for the Z$2bn drought relief provision, Mr Chidzero budgeted for only a 5 per cent rise in public expenditure, which with forecast inflation of 35 per cent over the next fiscal year, implies a huge reduction in real spending. Indeed, the share of government spending in GDP will fall from close on 50 per cent last year to 40 per cent in 1992-1993.

All of this is predicated on the minister's ability to make his cuts stick.

The omens are not good: not only has government recently upgraded its estimate of maize imports from 1.8m tonnes to 2.5m tonnes, but its 10 to 15 per cent civil service pay award exceeds the 7.3 per cent budgetary provision. With the IMF breathing down his neck, Mr Chidzero may yet have to make further swingeing cuts, with defence being everyone's preferred target.

If the minister fails to achieve his courageous spending targets and the Reserve (central) Bank, which has stuck resolutely to its tight money stance, is forced to back down in the face of vociferous business criticism, then hopes of lower inflation and interest rates next year will come to nought.

With good rains there should be a recovery in the latter half of 1993, though only a modest one, while inflation will remain uncomfortably high and renewed devaluation will be necessary. But another drought would add Zimbabwe to the growing list of sub-Saharan countries requiring upwards of $1bn a year in foreign assistance.

NEWS: UK

MMC blocks N Sea helicopter sale

By Paul Betts, Aerospace Correspondent

The merger was blocked to maintain competition, but critics said foreign operators were preparing to attack the market

THE PROPOSED merger of two UK helicopter operators was blocked yesterday by the Monopolies and Mergers Commission (MMC) on the grounds that it was against the public interest.

Bond Helicopters, based in Aberdeen, north-east Scotland, had intended to buy British International Helicopters (BIH), which was put into administration last December following the death of Mr Robert Maxwell, who had acquired it from British Airways in 1986. Both companies provide helicopter services in the North Sea to the UK offshore oil and gas industry.

The MMC concluded yesterday that a merger of BIH with Bond Helicopters would leave only two operators in that sector, each with about half the market, and that this could reduce competition and force up prices for North Sea offshore helicopter services.

The biggest operator in the North Sea is Bristow Helicopters with about 51 per cent of the market, followed by Bond with 29 per cent and BIH with the remaining 20 per cent. BIH also operates a passenger helicopter service between Penzance and the Scilly Isles, off the south-west of England.

An earlier bid by Bristow for the former Maxwell-owned business was withdrawn after it was referred to the MMC.

Yesterday's MMC decision was criticised by Mr Stephen Bond, the Aberdeen company's managing director, as demonstrating "a complete lack of understanding of the industry". He said it failed to recognise that foreign competitors were preparing to attack the UK offshore market.

"The decision has been made from a UK point of view when it should have been looked at from an overall European perspective," he said. "There are already 11 other European operators working in non-UK waters and this decision severely weakens the UK helicopter industry's ability to compete effectively and maintain market share," he added.

Mr Bond said KLM Helicopters and its US partner ERA had recently applied for an operating licence for UK waters.

However, the MMC said demand for helicopter services in the UK sector of the North Sea was likely to remain stable or decline over the next few years. It argued that if the merger went ahead, neither of the two remaining operators would compete strongly for market share and prices would tend to rise.

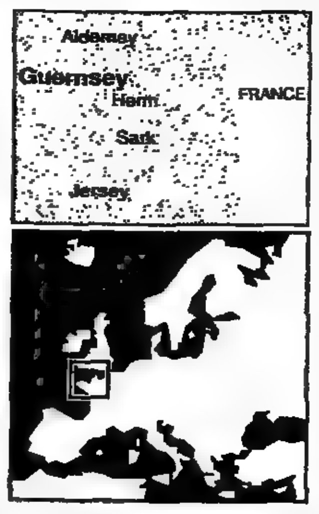
The MMC also claimed there was unlikely to be any successful competition from a new company entering the market.

But Mr Bond said BIH would have benefited from the proposed acquisition by his company. "Now they will have to go it alone at a time when markets are reducing and competition is increasing," he said.

CHANNEL ISLANDS

Guernsey sees 45% rise in funds under management

By Sue Stuart



TOTAL FUNDS under management in Guernsey, in the Channel Islands, rose 45 per cent last year to a record £6.4bn by year-end, according to the Guernsey Financial Services Commission annual report published this week.

The report notes a continuing trend towards funds for institutions and high-net-worth individuals. The commission says in its report that the rise is due to "an accelerating trend of consolidation" with several small funds merging or winding up and being replaced with schemes that attracted substantial investment.

Altogether, 20 licences were granted to institutions by the commission under the Protection of Investors Law and 12 surrendered their licences during the year.

Total licensees at the end of 1991 stood at 141, the report says. Fifty-nine of the 221 Guernsey managed funds are quoted on the international stock markets.

Guernsey's insurance industry also showed marked expansion during the year. There was little growth in the early part of the year, and increased competition from other centres is blamed. A change in tax laws for captive insurance companies in July 1991 resulted in 17 new captives registering by the end of the year, bringing the total offshore insurance companies in Guernsey to 204. A captive is a wholly owned subsidiary that insures some or all of the risks of its parent or can write third-party insurance, mainly reinsurance.

The tax change restored to captives an optional taxation system – no tax, a sliding scale on investment income from shareholders' equity or a flat rate of 20 per cent.

However, the FSC commission does not welcome the fact that some Guernsey-based captives encouraged by the current economic climate, are sending dividends back to their parents as much as they are allowed.

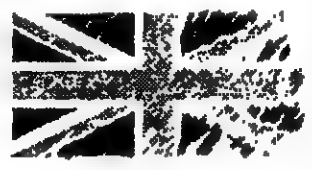
Bank deposits in the island rose 5 per cent to £16.25bn. The report says all but two banks attained the risk:asset ratio of 10 per cent by the end of 1991. The ratio is set by the commission and is 2 percentage points higher than that of the Basle Committee of bankers which sets international banking standards.

One new bank was registered in the year, but the closure in June 1991 of the Guernsey operation of First National Bank of Chicago has left the total number of banks on the island at 72.

Ultimate ownership of the banks lies in 16 countries and the FSC would like to see new banks from areas not already represented.

Guernsey Financial Services Commission annual report. Valley House, Hirzel Street, St Peter Port, Guernsey.

Britain in brief



Botnar wins franchises for dealers

Automotive and Financial Group (AFG), the motor retailer controlled by Mr Octav Botnar, has succeeded in gaining the Fiat group franchise for 25 of its dealerships.

AFG is quickly becoming one of the top three multi-franchise UK dealer groups and has gained franchises from at least seven leading car makers for its UK network.

The future of the group was placed at risk when Nissan UK, its sister company, lost the Nissan franchise at the end of last year as a consequence of the bitter, long-running legal conflict between Mr Botnar and Nissan Motor, the Japanese car maker.

PSBR £2.9bn in August

Public sector finances deteriorated by less than expected last month, although government tax receipts continued to be hit by the recession.

The public sector borrowing requirement in August was £2.9bn including privatisation proceeds of £7m, half-a-million pounds less than expected.

That brought the cumulative PSBR total since April – the beginning of the financial year – to £14.3bn, compared with £7.9bn in the same period last year. Excluding privatisation proceeds the cumulative total was £17.8bn.

N-plant to stay closed

A seepage of six gallons of plutonium nitrate is expected to halt reprocessing at British Nuclear Fuels' Sellafield plant in West Cumbria for another four weeks, the company confirmed yesterday.

BNFL, which stopped reprocessing last week after the seepage from a plutonium evaporator was discovered, is now preparing a report, requiring Nuclear Installations Inspectorate approval, on how it proposes to recover the liquid.

The company said no employees would be laid off, and it still hoped to catch up on its reprocessing programme, its core business and an important contributor to BNFL profits. The incident has been registered on the lowest level of the International Nuclear Event Scale; no radioactivity escaped from the stainless steel containment cell housing the evaporator into working areas or the environment, BNFL said.

Rolls-Royce offers 4.25%

Rolls-Royce's aerospace division is offering many employees pay rises of 4.25 per cent in a move which will end a nine-month pay freeze and further tackle some of the damage caused by the way the freeze was implemented.

Although the company does not conduct national pay negotiations, employees at various plants around the country have been presented with identical offers.

Partnership wins backing

An attempt to create a new industrial consensus based on the idea of flexibility for employers and job security plus involvement for employees was launched yesterday with the backing of several senior industrialists and union leaders.

Sir Bryan Nicholson, chairman of the Post Office, Mr David Sainsbury, deputy chairman of J Sainsbury, and Sir John Harvey-Jones, former chairman of ICI, were among supporters of the initiative launched by the Involvement & Participation Association (IPA) which was also backed by senior personnel directors at ICI and Unilever.

BR lures new passengers

British Rail's InterCity sector yesterday launched a vigorous campaign aimed at luring back passengers lost because of the recession.

Innovations include cut-price first class tickets for leisure travellers, a bistro-style restaurant car service, and the introduction of customer welcome teams at main InterCity stations.

Mr Chris Green, InterCity's managing director, said revenues were heading for a £50m shortfall in the current financial year because of a downturn in business and leisure travel.

Warning on teachers' pay

Tough advice from the government to the teachers' pay review body to keep down the cost of this year's salary award for teachers gave further evidence of the Treasury's determination to contain public sector pay.

Mr John Patten, education secretary, told the review body: "It is unacceptable if, over time, the review bodies recommend settlements in excess of those being obtained by other groups in the private and public sectors."

Coming after this year's teachers' pay settlement of 7.8 per cent, and 9.5 per cent the year before, Mr Patten's evidence is a warning to the review body not to award another significant real increase.

Mr Patten's submission states bluntly: "The government is determined that the public sector should not be insulated from the further downward adjustments to pay settlements which are essential elsewhere in the economy to improve our international competitiveness and employment prospects."

Advisors for Post Office

Kleinwort Benson and KPMG Peat Marwick have been appointed to advise the government in its wide-ranging review of the Post Office's organisation and structure. The review is expected to lead to the privatisation of the Post Office.

TECHNOLOGY

Continuing a series on drug discoveries, **Clive Cookson** looks at cancer treatments that destroy tumours but save healthy tissue

Fighting the war with magic bullets

A "magic bullet" against cancer – a drug that destroys tumour cells without harming healthy tissues – has been one of the longest-postponed promises of medical research. Now at last, after four decades of patchy progress, several candidate bullets are undergoing clinical trials and they could be available commercially within five years.

The idea of using the immune system to create antibodies specific enough to seek out and eliminate disease-causing cells, without doing any other damage, was proposed 90 years ago by the German microbiologist Paul Ehrlich. And anti-cancer antibodies linked to radioactive iodine were first tested in the 1950s at the Memorial-Sloan Kettering Institute in the US.

There were a few promising experiments during the 1950s and 1960s but the "polyclonal" mixtures of antibodies available at the time did not give reliable results. The real excitement started in the late 1970s, after scientists at the MRC Laboratory of Molecular Biology in Cambridge discovered how to make pure "monoclonal" antibodies. Researchers could then produce large quantities of identical antibodies, all designed to home in on a single target.

The first generation of antibody-based cancer products is now reaching the market. They are magic paints rather than magic bullets – diagnostic tests to give doctors a more accurate image of the tumour than traditional methods such as physical examination or X-rays.

The tests contain antibodies which bind to proteins that are found only on a specific type of cancer cell; they are linked to radioactive isotopes whose radiation is detected outside the body with a special camera.

The first such test to receive marketing approval – an imaging agent for colo-rectal cancer produced by Cytogen of New Jersey – went on sale in Europe at the end of last year. Although the US Food and Drug Administration has not yet licensed an antibody-based cancer imaging test, several are expected to receive FDA approval within the next year or so, including one for lung cancer from NeoRx of Seattle.

The development of antibody-based drugs, designed not to show up cancer cells but to destroy them, has been slower. However a variety of drugs are now in clinical trials, following recent progress towards overcoming some of the problems that held up research during the 1980s.

- Monoclonal antibodies were originally made from mouse cells which provoked an unwanted immune response in patients. As a result, many of the antibodies were destroyed before they reached their target. The solution is to make genetically engineered "humanised antibodies" in which only the active site that binds to the cancer cell comes from the mouse and the remainder is human. For example the Campath-1H antibody, developed at Cambridge University and now undergoing clinical trials with Wellcome, the UK drug company, contains only 1 per cent rodent material and does not provoke any adverse reaction.
- To the immune system, cancer cells look extremely similar to normal cells. There has been a serious shortage of distinctive "marker" proteins which distinguish the tumour well enough to make it a clear target for an antibody drug, and some of the early candidates cross-reacted unexpectedly with normal tissues. Steadily, however, researchers are discovering better markers. And once a diagnostic antibody against a distinctive marker has been made, it can often be developed into a drug.
- Only small quantities of antibodies can reach cells inside solid tumours with poor blood supplies. Researchers are testing various techniques for getting larger amounts of antibody to the site where it is needed. One method is to "pre-load" or "pre-target" the tumour with a non-toxic marker antibody and then to administer a second antibody to kill the marked cells.
- The bullets are becoming more lethal. There are three ways in which an antibody-based drug can destroy a cell: knock it out with radiation from an isotope; poison it with a toxic drug; or activate the immune system's natural cell-killing mechanism. The problems which exist with all three methods are gradually being tackled.

Since conventional chemotherapy, radiation and surgery still fail to cure most tumours, the potential market for innovative cancer treatments is worth several billion dollars a year

In principle, the most elegant and safest approach is to use the antibody to activate the body's own killer cells. Wellcome's Campath-1H, which is now being tested on about 50 lymphoma patients, works in this way. And biotechnology companies are trying different ways of boosting the natural mechanism.

For example, Medarex, based in New Jersey, is developing "bispecific" antibodies – two antibodies joined together, one of which binds to the cancer cell and the other which directs killer cells towards the target. The company plans to test them next year in patients with melanoma, the most lethal skin cancer, and glioma and neuroblastoma, two cancers of the brain and nervous systems.

But antibodies on their own are not powerful enough to destroy most solid tumours. For these, the antibody has to be linked to a radioactive isotope – the traditional approach – or to a toxin. Then there is a risk of serious side effects if the warhead becomes detached before reaching its target; much research effort over the past 15 years has been devoted to finding ways of joining the isotope or toxin firmly to the antibody without interfering with its power to bind to cancer cells.

Several different isotopes are being tested, including iodine-131, yttrium-90, astatine-211 and indium-111. NeoRx is developing products based on rhenium-186, starting with an ovarian cancer treatment.

The range of powerful drugs and toxins linked to experimental antibodies is even greater. A favourite is ricin, one of the most powerful plant toxins known – a single molecule will kill a cell. Companies developing ricin-linked antibodies include ImmunoGen of Massachusetts, whose Oncolysin B has been tested on leukaemia and lymphoma patients, and ICI of the UK, whose D0490 is about to start clinical trials.

Celltech of the UK and American Cyanamid of the US are collaborating on another promising project: an antibody linked to calicheamicin, a potent cytotoxic drug derived originally from fungi. It is due to begin clinical studies in leukaemia and breast cancer patients within the next few months.

An alternative approach, pioneered by Kenneth Bagshawe at London's Charing Cross Hospital, with funding from the Cancer Research Campaign, is Antibody-Directed Enzyme/Prodrug Therapy (Adept). This is a two-stage process: the patient is treated first with an antibody linked to a bacterial enzyme and later with a "prodrug" – a chemical that is relatively non-toxic but is converted by the enzyme into a potent cell-killing drug. Small-scale clinical trials of Adept treatments against colo-rectal cancer have been taking place for the past 18 months, in collaboration with ICI.

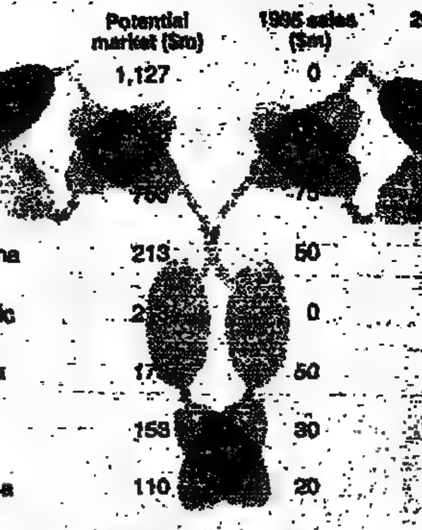
Despite the recent progress, however, more research is required to hone antibodies into reliable cancer drugs. "Antibody engineering" will make it possible to design artificial antibodies – far smaller and more accurate bullets than anything available today.

Another possibility is to use a hormone or growth factor instead of an antibody to guide toxins to receptor sites on cancer cells. The company pioneering this approach is Seragen, based in Massachusetts, which is testing a range of "fusion toxins", consisting of diphtheria toxins linked to interleukin or epidermal growth factor.

Since conventional chemotherapy, radiation and surgery still fail to cure most tumours, there is a potential market for innovative cancer treatments worth several billion dollars a year. Although new genetic technologies – anti-sense drugs and gene therapy – offer a promising alternative, magic bullet enthusiasts will be disappointed if they are not selling at least $2bn a year worth of cancer drugs within a decade.

The series continues next month with a look at heart drugs.

Forecast world markets for antibody-based cancer treatments



Cancer type	Potential market ($m)	1995 sales ($m)	2001 sales ($m)
Lung	1,127	0	500
Col[illegible]	[illegible]	[illegible]	[illegible]
Breast	[illegible]	[illegible]	[illegible]
Lymphoma	213	50	160
Pancreatic	[illegible]	0	160
Leukemia	[illegible]	50	130
Ovarian	158	30	100
Melanoma	110	20	80
TOTAL	3,690	320	2,450

Source: Cool

Whither the IT department?

By Dave Madden

Information technology directors have been foisting computerisation upon corporate professionals for several years – forcing people to change the way they work and realigning responsibilities in the workplace.

Now it is their turn to adapt. Rapid changes in information systems technology are undermining the traditional role of the information technology manager and in some cases making the role redundant.

The open systems phenomenon, client-server environments and software that makes computers easier to use are designed to "empower" the end user. They are not, however, designed for the convenience of the IT manager.

At the same time, the expertise of the IT manager is increasingly challenged by users and customers.

These issues are prompting a basic reassessment of the IT function. And in some organisations the IT department is ceasing to exist.

Timex, the Dundee watch-maker, is replacing an ageing mainframe-based system with new integrated software on an open distributed platform.

Peter Hall, the company's vice president, says the investment will improve service levels to the business and cut costs. Ultimately Timex thinks the system will run itself – and the company will not need a formal IT department.

This option may not be open to many organisations, but doing away with the IT function is not so far removed from "outsourcing" it.

A survey from IT consultancy CSC Index reports that 71 per cent of its respondents in Europe plan to outsource some information systems activity this year – compared with 36 per cent in 1991. This ranges from applications development to telecommunications and software maintenance.
According to Robert Morison, CSC vice president: "Outsourcing information systems activities is no longer a question of 'whether', but of 'what'."

Ironically, says Morison, the activity most often associated with outsourcing – data centre operations and management – is among the least frequently sent out. "The idea of giving up the data centre sends most systems managers scurrying for performance benchmarks to prove that their shops are as efficient as their neighbours," he says. Yet, he argues, it is often the data centre which should be the first to go.

Not surprising, many IT managers prefer to think of outsourcing as facilities management. Yet their companies are beginning to treat outsourcing IT no differently from business activities where, in advertising or distribution, for example, there is a reliance on "outsourced" specialist skills.

If, as CSC concluded, most organisations are outsourcing their IT activities, then just as many are involved in a serious rethink of how their IT department works – about who should own it, and to whom it is responsible.

"Re-engineering" the IT department is one of the biggest consultancy opportunities, comments David Narrow of Price Waterhouse Management Consultants.

"It is a very high priority. Costs are going up in IT faster than in any other corporate area – people just have to do better," he says.

But this is not just a matter of cost saving. Some organisations are moving towards a small cadre of specialists who plan, design and oversee the company's IT, while contracting out most of the traditional work.

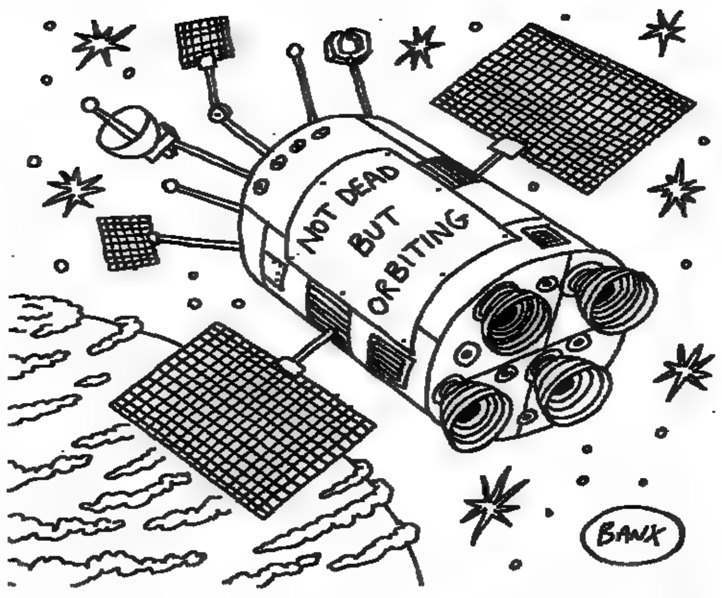
The pressure on IT to maximise the business value it delivers may be undermining some traditional IT regimes, but it also coincides with a generation of technology which will not only allow IT to deliver the goods, but which on any large scale probably demands more specialised IT disciplines and requires more managing than the technology that it replaces. And it is this new level of complexity that should ensure the future of the IT function, if not the traditional department.

According to Des Lee, IT director of B&Q: "There may not be an IT department as such – but there will be an area of IT excellence. These are very exciting times for IT people. There is great opportunity – and there is no doubt that we'll emerge as the agents of competitive advantage at last."

MANAGEMENT: MARKETING AND ADVERTISING

Kate Button lifts the lid on American funerals

Putting new life into the business of death



As the streamers unfurl, balloons pop and the calypso band clatters castanets, you could be forgiven for thinking you were attending a birthday party. However, in California it is quite likely to be the celebration of a loved one's death.

A new-found enthusiasm for the macabre on the west coast of America has led to the transformation of the traditional funeral into a more personalised event; an innovative and lucrative market has developed to cater for the eccentricities of the deceased and the bereaved.

In the US, the Federal Trade Commission calculates the cost of a funeral – on average $4,000-5,000 excluding a headstone and cemetery plot – is the third largest single expenditure an individual is likely to make, after a home and a car. Casket mark-up can be 15 times cost and traditional funeral administration fees have risen sharply in recent years.

The high cost of dying has encouraged enterprising individuals to arrange their farewell celebrations before they depart, thus ensuring that the ceremony reflects their personality and they receive value for money. Memorial celebrations range from fancy dress parties, pre-taped video performances by the deceased and champagne cruises to scatter ashes at sea.

With increasing awareness of environmental issues, cremation is fast becoming a popular alternative to customary funeral burials. In an effort to meet the increased demand for unconventional requests, start-up funeral service businesses are appearing all over the west coast offering a variety of options which the traditional funeral directors fail to supply.

For $1,500, the deceased can be cremated and have their ashes scattered at sea or laid to rest in a flower garden designed specifically for that purpose. The more adventurous can have remains encased in a mini-rocket and catapulted into outer space to orbit the earth for eternity.

Dale Suess, historian and consultant to the industry says: "The traditional funeral industry doesn't offer options and if you want cremation you are considered cheap. The businesses that succeed in this industry will be those that provide what the people want."

In San Francisco, a "death boutique" called the Ghia Gallery opened in 1990 offering custom-made urns which can double up as table lamps or high-tech robots. More bizarre is jewellery designed to carry the ashes of the dearly departed. For those who still prefer burial, the Gallery has an Egyptian-style sarcophagus at $7,995 or, specifically for female customers, a coffin lined with mirrors, which doubles as a vanity mirror prior to "departure".

"The lid has been taken off the last taboo", says Alex Ghia, the gallery's founder. "The institutionalised way of dealing with death showed us a glaring lack of individuality and personal meaning. We offer the public choices for dealing with death."

Funeral venues are also benefiting from the less traditional west coast approach to death, as it becomes increasingly acceptable for mausoleums and cemeteries to be used for events other than funerals.

The Neptune Society Columbarium (NSC), a mausoleum in Richmond, California, regularly stages ballet performances, Himalayan bells concerts, Shakespearean plays and recitals for the San Francisco Saxophone Quartet, which recently recorded its latest album there. The giant rotunda, with its stained glass windows and tiered balconies, houses the cremated remains of more than 15,000 people and promises any performing artist a capacity crowd. For a percentage of the ticket sales, the venue can be used for almost any performance "within the realms of good taste", says Ron Cox, the Neptune Society manager. In May, it hosted its first wedding.

While the cost of staging a performance at the NSC is considered reasonable, the cost of buying a niche in which to store the deceased's ashes is less economical. A niche shared by 10 or 12 unrelated individuals starts at $1,500, and a personal niche ranges from $3,500 to $30,000. This does not include cremation, a service or an urn.

Such expenses are encouraging innovative Californians to reject the traditional brass or marble urns for anything from milk churns and tobacco jars to cookie tins. And for the purposes of cremation, chipboard caskets are used, draped in satins and velvet.

As the US begins to draw back the shroud which envelopes the funeral industry in macabre and sombre tradition, individuals are able to choose from options never before considered tasteful or acceptable. And while the environment benefits, a new market is born to cater for the demand of civil choice. In California at least, where there is death, there is a livelihood.

Benetton outcasts step back into the limelight

Benetton, the Italian clothing group, chose Moscow to trumpet its latest marketing thoughts this week. The company was responsible for uproar in the UK in January with an advertising campaign featuring, among others, a picture of a dying Aids sufferer.

This time, Oliviero Toscani, Benetton's advertising guru, selected seven photographs for poster and magazine advertising. Each carries a tiny Benetton logo.

The photographs include: an empty electric chair in a New York jail; an oil-covered bird from the Gulf; an albino African girl among black South African girls; a grime-smeared child carrying a white doll, photographed in El Salvador; pigs snuffling in a trash heap in Peru; a photo of children building a brick wall in an unspecified developing country; and finally, a group of KGB plain-clothes agents arresting a suspect (above).

Like its previous campaign, Benetton has again focused on the downbeat and unhappy, this time selecting a set of apparent outcasts to sell its colourful jumpers.

Toscani says he "leafed through newspapers and magazines from all over the world" to find the photographs. Critics of the previous Benetton campaign – and there were many, from the Advertising Standards Authority (ASA) to gay activists – accused it of arrogant insensitivity.

Toscani brushed that criticism aside, saying his intention was to move from "using advertising to promote a product, to the promotion of greater social awareness".

Some of the latest campaign photographs may also cause offence, though three of the six due to run in the UK have already been seen and cleared by the ASA. Benetton's ambition to be seen as a global company means that the latest campaign is being unveiled in Tokyo, Beijing, New Delhi, Cairo and Johannesburg.

The ASA argues that previous Benetton ads featuring black and white people ran into the problem of compounding negative racial stereotypes, but that the latest South African picture does not, prima facie, fall into that trap.

Benetton has reason to believe that its $80m (£40.6m) global advertising budget is working: in 1991 it raised net group profits by 23.6 per cent to L164.8bn (£77.48m) due to higher sales and improved financial management. Group turnover rose by almost 12 per cent to L2,303bn, and the company sold 88m items through a chain of more than 6,500 shops in 100 countries.

But there are contrary indications. The US trade magazine Adweek has claimed Benetton is losing market share, with its number of US stores likely to drop to about 300 by the end of 1992, against a peak of 700 in the 1980s.

Gary Mead

Why grown men dream of a future with Barbie

By John Thornhill

The history of the US Mattel Toys company is the tale of everyday business folk and a highly successful piece of plastic called Barbie. Last year the company sold 54m fashion dolls.

This year it is likely to be 65m. "When you do the arithmetic, that means somewhere around the world we sell two Barbie dolls every second of every day of every year," says John Amerman, Mattel's silver-haired chairman and chief executive. "We think we are pretty good at meeting the desires and dreams of little girls."

Although Barbie's appeals have waned little throughout its 33-year history, Mattel's shareholders have not always seen the rewards of it. Five years ago, the company slumped to a net loss of $113m (£57.3m) as it struggled with high overheads and an unresponsive management structure. But since then, the company has staged a strong turnaround and last year recorded operating income of $113m with analysts expecting further improvement this year.

The main architect of the revival has been Amerman who has pragmatically followed some classic marketing prescriptions to return the company to profitability.

"I like to view Mattel as a consumer packaged goods company that just happens to sell toys," he says.

One of the most striking characteristics of the process has been the constant product innovation which has been essential to increase sales. "In the US, about 95 per cent of girls between the ages of three to eight have a Barbie doll and these girls have an average of seven dolls each. It is important with a product like Barbie to have clear market segmentation," says Amerman.

Mattel boasts a standard My First Barbie doll which retails in the US for less than $5.

But in her time, Barbie has also been a beach babe, a Mod, an airline pilot and a Unicef ambassador. Mattel expects that one of her latest incarnations as the Ultra Hair Barbie – complete with curlers and styling gels – will sell 10m items in more than 100 countries.

At any one time there are about 50 models on sale, including limited-line collectors' items. Mattel has recently discovered it can push the price of special dolls far higher than previously imagined, breaking through the $10 barrier.

Ideas for new dolls stem from several sources. The company conducts "focus" group work with girls in different countries to see how they respond to concepts and has built up an extensive library of girls' magazines to keep track of changing trends. The company employs 500 designers, development engineers and model makers who constantly review and revise the Barbie line.

But Mattel has also learnt that it continually has to stimulate the consumer market by means of heavy advertising and in-store promotions. Analysts estimate the company spends up to 17 per cent of turnover promoting its brands.

Mattel has also been able to generate greater consumer interest by winning additional display space from retailers. To this end, Mattel began a customer service programme three years ago visiting the biggest toy retail chains and devising ways of improving operational relationships. Lower prices have also led to increased sales volumes.

But there are signs that Barbie in the US is reaching the limits of growth and Mattel is now rapidly expanding into other toy markets and pushing Barbie harder overseas, where it already accounts for half of all sales.

"The future of our company is in international markets. The wants and desires of little girls are the same around the world, whether it is combing a doll's hair, changing their clothes, playing with Ken or thinking about being an astronaut," says Amerman.

CONTRACTS

£38.5m American resin plant

JOHN BROWN has been awarded a contract by Goodyear Tire & Rubber for the detailed design, engineering and procurement of a US$70m (£38.5m) polyester terephthalic (PTA) resin plant to be located in Point Pleasant, West Virginia.

The plant will produce a bottle grade resin and is the duplicate of a facility designed by John Brown for Goodyear in 1987.

The engineering is being carried out in John Brown's Houston office with construction scheduled to begin in September.

In addition to the main process area, the plant will require new railroads for product loading and utility systems for cooling water, deionized water, ethylene glycol storage and fire water protection.

With American regional centres in Houston, Chicago and Stamford, John Brown is a member of the engineering division of Trafalgar House. Goodyear Tire a Rubber is headquartered in Akron, Ohio.

£15m overseas work for Weir Pumps

WEIR PUMPS has been awarded four orders worth £15m from the oil industry in the Middle East, India and Canada.

The biggest order has been placed by ADCO (Abu Dhabi Co) for three on-shore oilfields in the United Arab Emirates.

Weir will supply 28 multi-stage horizontal split-casing water injection pumps and 29 Mather and Platt motors. The pumps will be made from special austenitic stainless steel, cast in-house at the Manchester foundry.

The company will also provide 21 pumpsets to the Bab field, three to Bu-Hasa and four to Sahil.

Elsewhere in the Gulf, Kuwait Oil has ordered four firewater pumps for the Mina-Al-Ahmadi refinery.

In India, Weir is to supply all the major pumping equipment to ONGC Neelan's offshore development under a deal signed with Korean contractor Hyundai Heavy Industries.

The job involves 14 units spread over four ranges, including five seawater injection pumps.

In Canada, Weir will provide three seawater injection skids to the Hibernia project offshore Newfoundland.

Communications recording equipment

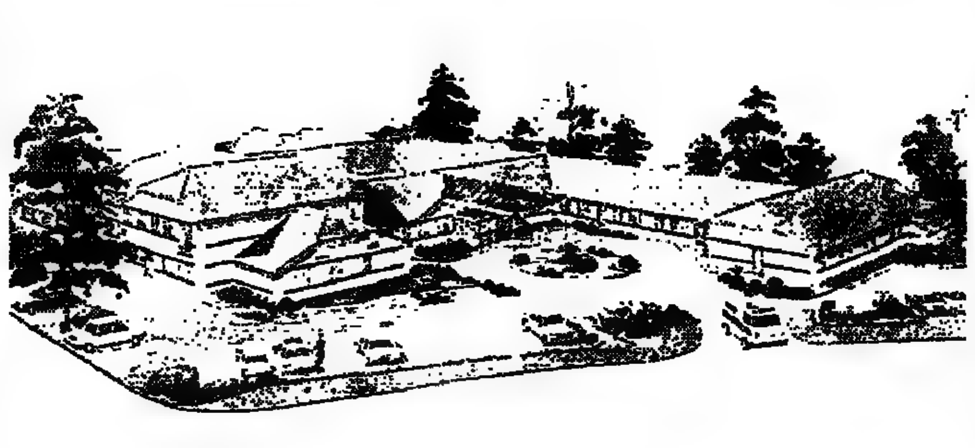
Following an order from Bergamo Airport, contracts to supply communications recording equipment to Italian airports won by RACAL RECORDERS have now exceeded £1m. In the past two years the company has sold equipment to both major and secondary airports as part of the country's civil aviation authority upgrade programme.

The order from Bergamo Airport is for a Wordsafe voice logging recorder. This desktop, multi-channel voice logging recorder, provides a range of configurations from 4 to 32 channels and over 24 hours of continuous recording on a single VHS cassette.

During the last two years, significant contracts have been awarded by the AAAV (Azienda Autonoma Assistenza al Volo) to Racal Recorders for its ICR64 multi-channel communications recorder, used to record voice communications between air traffic controllers and aircrew.

Racal's ICR64 recorders have been installed at a number of airports in Italy including Milan-Linate, Rome-Fiumicino, Napoli, Turin, Bologna and Brindisi. Racal Recorders, part of the Racal Electronics Group, is based in Hythe, Hampshire.

£4.2m orders for Conder



An artist's impression of the new community hospital planned for Walton-on-Thames

CONDER PROJECTS has won two contracts in the West Country and Surrey totalling about £4.2m.

The first contract comprises a motor transport workshop, covered parking facilities and offices totalling 68,750 sq ft for the Ministry of Defence at a base in the West Country.

The second contract continues Conder Projects' activities in the health-related sector of the market. The contract is for the design and build of Walton Community Hospital, Walton-on-Thames for the Weybourne Community NHS Trust.

The hospital will comprise a mixture of single and two-storey accommodation for 36 patients together with ancillary medical, administrative and staff facilities.

£8m workload for Trafalgar House

The regional business of TRAFALGAR HOUSE CONSTRUCTION has won contracts worth £8m. The company will carry out £2.4m worth of construction work associated with the development of the Hunslet Green area in south Leeds. This will include infrastructure works for the developers, who plan a mixture of housing and light industry to regenerate the area, and approach roads for Leeds City Council.

At Southbank University a £1.2m contract involves the conversion of a library and sports centre into five lecture theatres and conference facilities. In Wales, a £1.6m design and construct contract has been awarded for 55 housing units for the Eastern Valley Housing Association.

Mixed batch for Mansell Group

MANSELL has been awarded £28m of contracts in the south east. Among the local authority awards is a contract worth £1.1m for refurbishment works to 118 properties for Wandsworth Borough Council on a sheltered housing scheme in SW15.

Also for local authorities is a contract for the Three Rivers District Council on 91 of its properties in Rickmansworth on its energy saving scheme. With a contract value of £1.1m, work is scheduled to be completed in 18 weeks.

Other local authority works include refurbishment to St Dominic's Square, Luton for Bedfordshire County Council; for Essex County Council a two-storey office block in Harlow; for Basingstoke and Deane Borough Council an internal refurbishment programme to offices in Basingstoke and for Tandridge Borough Council external works to premises in Bletchingley, Surrey.

The Peabody Trust has awarded three contracts with a total value of £912,000. They cover a 52-week maintenance contract; Phase 2 of refurbishment works on the Peabody Estate and refurbishment at Chapter Court in West Bridge Road.

A contract has also been awarded to the Mansell Group by Glaxo, valued at £3.2m, for refurbishment works to premises at Greenford.

£16m awards for Tarmac

Extensions to a Manchester school worth £1m; to a Solihull private hospital, and refurbishment of buildings for the Atomic Energy Authority, are among £16m worth of new contracts won by TARMAC CONSTRUCTION.

Several contracts to repair and improve hundreds of council houses, with a total value of more than £8m, have been awarded to the company's contract housing division.

A £1m technology building is to be constructed as a three-storey extension to Withington Girls School in Manchester and extensions and alterations to a similar value are to be carried out to Parkway Hospital in Solihull, West Midlands, for BUPA.

At the Harwell Atomic Energy Centre in Oxfordshire, laboratory buildings are to be given a £1m refurbishment for AEA Technology, while extensions are to be built and water reclamation works renewed for Severn Trent Water, worth £760,000, at Sutton Bonington.

PEOPLE

Reuters director adds to exam standards

Philip Wood, group financial controller and director of treasury at Reuters since 1990, has been appointed to the School Examinations and Assessment Council (SEAC) by education secretary John Patten.

Wood joins a little-known quango, but one moving to the centre of the education debate with the growing controversy over exam standards and content. SEAC's chairman, Lord Griffiths, is the former head of Lady Thatcher's policy unit at No 10, and an out-and-out revisionist.

A solid core of the other members are Tories and enthusiastic members of the "back to basics" school, including four well-known academics: Lord Skidelsky (Keynes's biographer), John Marks, John Barnes and Gillian Peele.

No doubt Wood's background as an audit partner at Price Waterhouse for 14 years is intended to take the counter-revolution on from Shakespeare to times tables. But alas, not that many accountants can do the sums themselves these days.

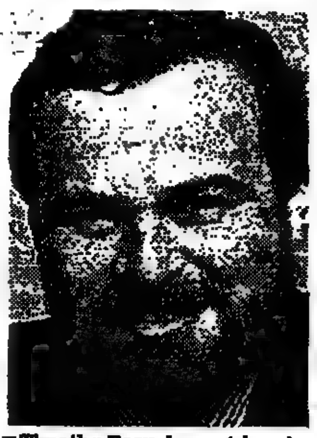
■ Bob Barton, the new chief executive of BOUSTEAD, the manufacturing, technical services and distribution group acquired last month by Singaporean businessman Jack Chia, has brought in a former colleague, Philip Smith, as group financial controller.

Smith, who had worked with Barton at Cold Storage Holdings in Singapore, will take over from Michael Thesiger, 56, who has been at Boustead since 1975, and group finance director since 1979. Thesiger, who had also been made company secretary in 1987, now steps down from the board, remaining company secretary but giving up his financial responsibilities.

Smith, however, is not joining the board. Barton says he has plenty of good financial brains on the board already, including Geoffrey Hall, chief executive of the Jack Chia Group in the UK, and two non-executive directors, Robin Baillie, who is also a non-executive director of Standard Chartered, and Colin Endacott, who was previously a general manager with Standard Chartered.

■ Stephen Russell, until recently md of Caparo Steel Stockholders, has been appointed md of Serco-Ryan, a subsidiary of LILLESHALL, on the retirement of Paul Lower who is to pursue other interests outside the fastener industry.

Moves in insurance



■ Timothy Beauchamp (above) has been appointed director of ALEXANDER & ALEXANDER's insurance and risk management consulting operations in central and eastern Europe. He has a degree in Slavonic and east European studies, and for the past 18 months has worked in Warsaw as the first accredited Lloyd's broker in Poland.

■ Jeremy Pearce has been appointed a director of HOULDER INSURANCE SERVICES (UK) Ltd.

■ Charles Bellringer has been appointed finance director of ALBANY LIFE ASSURANCE.

■ David Ambrose, md of Clarkson Bain Japan, and Ralph Sneddon, md of Bain Clarkson's continental operations, have been appointed to the main board.

■ Flavia Baldinett, Jeremy Budd, David Burgess, Anthony Tilder, Michael Copp and Mark Stobart, all of whom were employed by EW Payne, have been appointed directors of RFIB Europe Ltd, part of ROBERT FLEMING INSURANCE BROKERS.

■ Simon Lusher, formerly marine division md at Hadley Cannon (International), has been appointed md of WINDSOR's marine division.

■ Kevin Durkan, formerly general manager personal lines at Assurances Générales de France (UK), has been appointed md, and Janet Wilson, formerly of Macarthy, operations director, of SAFEGUARD INSURANCE.

■ Duncan Playford (below), formerly md of the property division of Heath Fielding International, has been appointed md of GIBBS HARTLEY COOPER INTERNATIONAL PROPERTY Ltd, a newly formed subsidiary of Gibbs Hartley Cooper which is part of HSBC Group.

■ Peter Somerville has been appointed joint md of LOWNDES LAMBERT North America, and Keith Lovatt a director of Lowndes Lambert Oil and Energy.

■ David Reed has been appointed a director of ASHLEY PALMER HOLDINGS.

■ Bryan Missenden has been appointed a director of LLOYD THOMPSON Ltd.

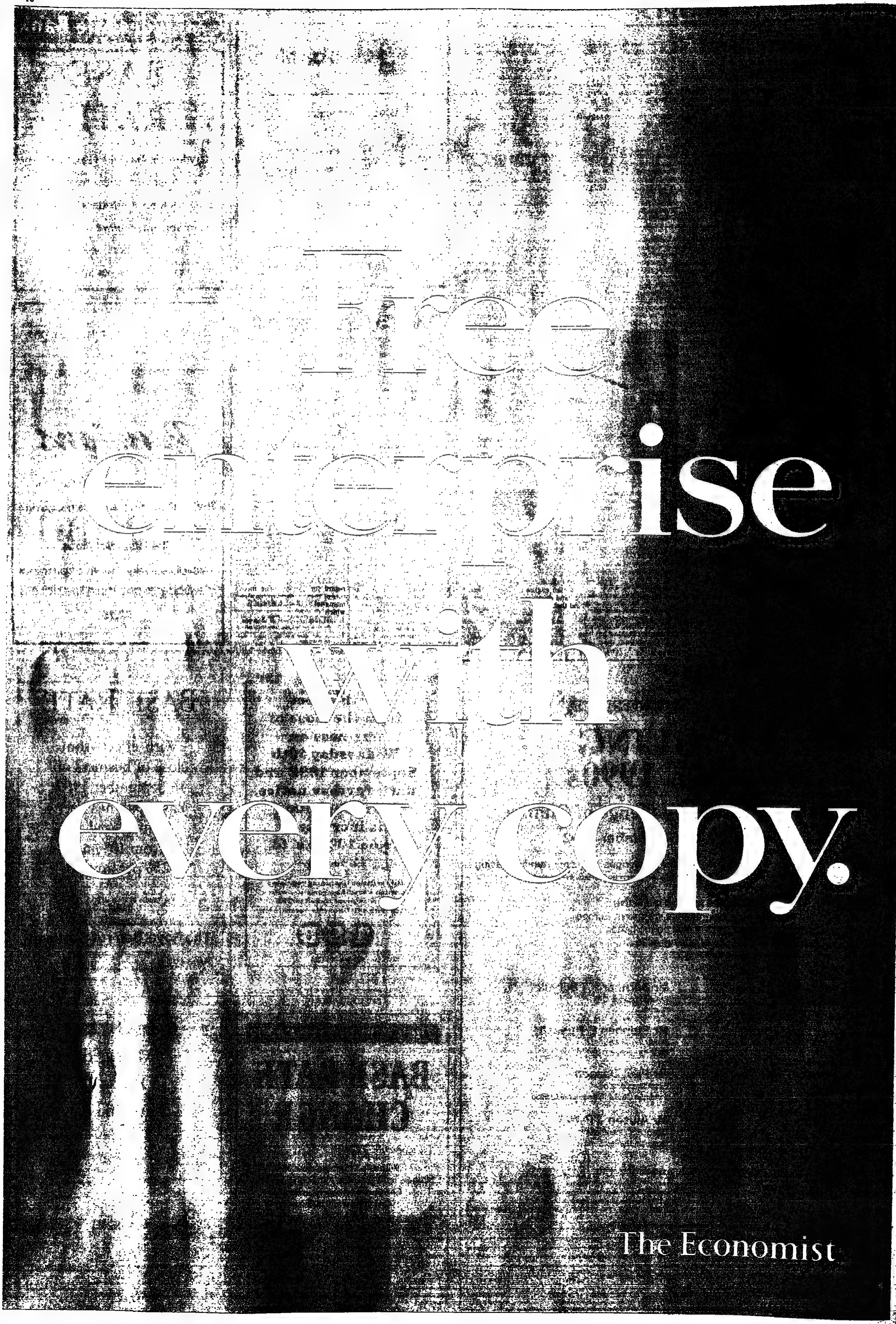
■ Alasdair Davis, formerly European director for special risks at CIGNA International Financial Services, has been appointed md of AHRC (INTERNATIONAL).

■ Timothy Paske has been appointed a director of BMS Marine Reinsurance Services, a subsidiary of BALLANTYNE McKEAN & SULLIVAN.

Alan Capper has been appointed chairman of the public relations company, Rowland Worldwide, part of the Saatchi and Saatchi group and based in New York.

The world's sixth largest public relations company, with 34 offices in Europe, Asia/Pacific and the US, Rowland has been home to Capper since 1985, when the company he then chaired, Granard Communications, was bought.

Rowland has also announced the appointment of Martin Franken as president and chief operating officer of Rowland Worldwide; Franken has been with the company since 1987.


Free
enterprise
with
every copy.
The Economist

ARTS

Theatre/Malcolm Rutherford

Hamlet

There is a sense of excitement about a new production of *Hamlet* that does not attach to any other English play, for every Hamlet is different and there is no such thing as a definitive performance. Alan Rickman looks, speaks and moves as if he has been waiting to play the part all his life. He has come to it at the right time. His Hamlet looks genuinely youthful. Ophelia's speech about the "observed of all observers" has him absolutely right. He is better educated, better looking, more sensitive and more civilised than any one else in the Danish Court. The more modern English phrase is "effortless superiority".

Rickman plays the role very quietly. There are few histrionics and no gimmicks. The moment of real passion comes when he sees Ophelia's burial. Here he erupts, but it is the madness of grief rather than that of an unhinged mind. He does not behave so alarmingly even in the bedroom scene with his mother, where the madness is plainly feigned. This Hamlet loves Ophelia.

Rickman's simple approach is abetted by an equally simple set. There are few props – not much more than the odd chair. There is, however, a spare metal balcony running across the top of the back of the stage and abbuting T-shaped high into the centre. It also allows a marvellous use of space. Characters can enter high up on the balcony. Claudius and Gertrude watch *the Murder of Gonzago* from this elevated position. Hamlet is sitting with Ophelia on the T while the players perform beneath. Again Hamlet is tempted to kill the king with his sword from above in his soliloquy "Now might I do it pat".

There is a lot of space on the ground, allowing Hamlet to walk about. Plenty of room, too, for the gravediggers and the final fight. The impression is more of a mixture of desert and prison than a formal court. The unobtrusive use of lighting by Giorgi Meskhishvili, who also designed the set, has moments of sheer brilliance.

If Rickman is a quietly convincing, almost conventional Hamlet, the direction by Robert Sturua has its surprises. Osric is played not as a precious young fop, but as a fussy middle-aged man with foppish tendencies, bowler hat and spats. Laertes is different from any previous conception known to this reviewer. He wears spectacles, is much smaller than Hamlet and, whether in sports jacket or old leather and jeans, looks like a student who would genuinely prefer to be at the Sorbonne rather than the court of Denmark.

Sturua's main coup is to cut the formal fencing at the end to the bone. There are just enough exchanges between Hamlet and Laertes for the fatal wound to be inflicted: none of that phoney business where we are asked to believe that the actors are equally handy with the *epée*.

One weakness is Polonius. English productions have tended traditionally to play him as a buffoon. Modern east European productions have portrayed him as a state bureaucrat. This Polonius falls between all stools and is nothing in particular. I also wonder whether it is wise to have David Burke playing both Claudius and Ghost, since one of the points of the play is meant to be Hamlet's perception of how different his uncle and his father were.

Among the strengths are Geraldine McEwan's Gertrude who shows to perfection the harrowing experience of ageing overnight. Also Julia Ford's Ophelia who demonstrates that she has learned from Hamlet's brutal sexual teasing by doing a mock rape of Cladius. Among the smaller parts Steven Crossley is an outstanding first player.

Riverside Studios until October 10

Alastair Muir

Alan Rickman: the right time for Hamlet

Cinema/Stephen Amidon

The Wild West exposed

Clint Eastwood's brilliant and harrowing *Unforgiven* packs all the punch of a good Western without indulging in the plot clichés and moral certitudes so often inherent in the genre. Eastwood, who at 62 seems to have reached his peak form as a director, seems finally to have gained the artistic confidence to toss such old chestnuts as the heroic gunslinger, righteous sheriff and good-hearted whore into the fire, where they proceed to explode in the audience's face.

The film tells the story of ageing gunfighter, Bill Munny (Eastwood), who has become an apparently reformed farmer and family man. But things begin to go bad for him – his wife dies, followed by most of his herd of pigs. When the opportunity comes to make some fast money by killing two cowboys who allegedly mutilated a woman, Munny takes the job to insure his children's future. He enlists the help of his old sidekick, Ned Logan (Morgan Freeman) and sets out for the cowboys' hideout near Big Whiskey, a frontier town presided over by a tough sheriff (Gene Hackman).

A familiar enough story to this point, though Eastwood and writer David Webb Peoples proceed to set the whole thing on its head, foregoing standard Western plot lines to expose the barbarism, cowardice and cruelty that must have lain at the heart of the real Old West. Munny's glory days as a gunfighter are gradually shown to be a prolonged spell of drunken, homicidal insanity in which good guys, bad guys, women and children were his victims. Indeed, when the time comes for him to engage in his first gunfight, it turns out to a repellent act of bushwhacking.

The woman Munny and his friends are supposed to be avenging turns out to a whore whose injuries are far less serious than first thought. Even the good guys are shown to be corrupt – Hackman's sheriff turns out to be a sadist with no regard for the law. The mixture of these various rotten elements leads toward a finale in which characters meet their dismal fate with equal degrees of ignominy and damnation. The only one who makes a choice that could be called heroic ends up a cadaver left on display in Big Whiskey's main street.

It is a grim picture lightened by fine acting, beautiful photography and, most of all, subversively mordant irony. Nothing is at it seems in Big Whiskey. It's worse. Richard Harris has a wonderful supporting role as English Bob, another hired gun who comes across as a gentleman gunfighter yet is soon exposed a cowardly assassin in the pay of railroad bosses. Munny is forced to confess that his drink-addled brain cannot recollect the deeds that made him famous, though it is this very past which comes back to seal his doom.

Indeed, as a reformed character he is useless, falling off his horse, shooting poorly and losing fights. It is only when he goes back on the bottle that he becomes an effective gunman again. Most tellingly of all, there is the device of having a pulp writer (Saul Rubinek) to "record" the whole bloody pageant, thereby allowing the audience to see how myopic, headline-grabbing eyes can transform barbarism into myth.

Despite Eastwood's finely ironic touch, this must still be one of the bleakest films to ever top the American box office. Life in 1880's Wyoming is shown as being nasty, brutish and, for the lucky ones anyway, short. What looks at first to be a trot to redemption ends up a gallop into hell. True, there are some half-hearted attempts at Christian imagery – an ill Munny sleeps for three days before rising to meet his destiny, while Logan is strung up as if on a cross and whipped when captured. But these are merely teases – the film's ethos is ultimately Old Testament, with Eastwood's last words a unredeemed jeremiad that thunders through the streets of Big Whiskey.

Yet, despite its bleakness, the film remains richly rewarding, peppered with the sort of memorable one-liners for which Eastwood is famous and ending with a shoot out that will not disappoint traditionalists. Just don't expect the good guys to ride off into the sunset.

*

A League of Their Own combines wartime nostalgia, lots of baseball and an innocuous dose of feminism. It tells the story of the All-American Girls Professional Baseball League, formed in 1943 when many male baseball players had gone off to war. Geena Davis portrays an Oregonian farm girl who is lured, along with her sister (Lori Petty), to play for the Rockford Peaches. After much initial scepticism on the part of fans and their hard-drinking coach (Tom Hanks), the women's grit and determination win the day.

The film works best as a comedy, with especially funny turns by Jon Lovitz as a wise-cracking scout and Hanks as the drunken has-been player. There is also some gratifyingly skillful baseball. Davis performs well in the thankless role of the humourless head girl who just wants to go home and have babies, while Madonna, as the team's obligatory loose woman, wisely confines her efforts to providing strong supporting help. Director Penny Marshall once again proves herself to possess both a deft hand for light comedy and an unfortunate weakness for sentimentality.

The Hours and Times is a wistful, well-acted drama about an imaginary weekend that John Lennon and Beatles manager Brian Epstein might have spent together in 1963. Set in Barcelona, the film concerns Epstein's attempts to confess his love and longing for Lennon, which the latter gently yet firmly rejects. Writer/director Christopher Münch has created a slow, knowing, often agonised film that has a lot more to do with Bergman than *Help!* He is greatly aided by Ian Hart's deft impersonation of the cocky yet sensitive Lennon and David Angus's considered portrayal of the tortured Epstein.

UNFORGIVEN
Clint Eastwood

A LEAGUE OF THEIR OWN
Penny Marshall

THE HOURS AND TIMES
Christopher Münch

Clint Eastwood in 'Unforgiven'

The Power behind the clubs

Garry Booth talks to the new owner of the Jazz Café

Powerhaus and Mean Fiddler – both descriptions have been applied to Vincent Power in his short time as London's leading rock impresario. They are, in fact, names of two of his clubs and one-third of the formidable Mean Fiddler Organisation. Power house he is. The stubbly and artfully dishevelled 45-year-old Irishman established the North West London honky tonk which heads the organisation exactly ten years ago. Two weeks ago he added Camden's Jazz Café, bought from the receivers, to a music empire which now turns over £6m a year – not counting his hugely successful open air festivals which add £3m a year.

A visitor to London interested in contemporary music would be hard pushed not to visit one of the 15 bands playing Power's five (and now six) clubs on any given night of the week. He publishes a 24pp magazine, *Feedback*, which lists and reviews the gigs he stages, from bluesman Albert Collins to college circuit heroes Kitchens of Distinction, via hideous noise merchants with names like Bum or Headbirth.

Power had been 15 years in the furniture business when he bought his first nightclub in North West London's Harlesden from boxer Terry Downes for £250,000. He turned it into the sort of good ol' boys' country honky tonk he liked and spent thousands booking his favourite C&W acts. "I was pigheaded, I ran it how I wanted to and I lost a fortune. The venue was right and the staff were great. I realised in time it was my booking policy that was sending it down."

By making a shift sideways to more fashionable Tex Mex and blues, the Mean Fiddler was established as a popular and profitable medium-sized venue. By 1987 it was full every night and Power was looking for a new outlet. He found it in the heart of hip Islington, opposite the refurbished Angel tube. The Pied Bull, a dilapidated pub with a room on the end of it, as Power describes it, was already known for its militant lesbian nights, free jazz extemporisations and sticky carpet. At a total cost of £275,000, Power bought it from the brewery owner, put in a stage and lavatories, and extended capacity to accommodate the city's enthusiastic "thrash" rock aficionados. Renamed the Powerhaus, the club now serves as a springboard for indie outfits (amateurish but fashionable young groups without big contracts).

Power had refined the art of booking: "You must have iron costings," he says, "and although we still pay bands too much and then not enough people turn up, those occasions are rarer." His "iron costings" have led to discord with the Musician's Union, who object to what they perceive as a "pay to play" scheme for young hopefuls. Power saysthe MU is unrealistic: "We charge for the pa and we charge for an engineer, as an incentive. If the band draws more than 50 we will refund that fee.

"The MU does nothing to help young bands; it doesn't understand that a gig is impossible to put on without the equipment and there must be an incentive to keep out the timewasters."

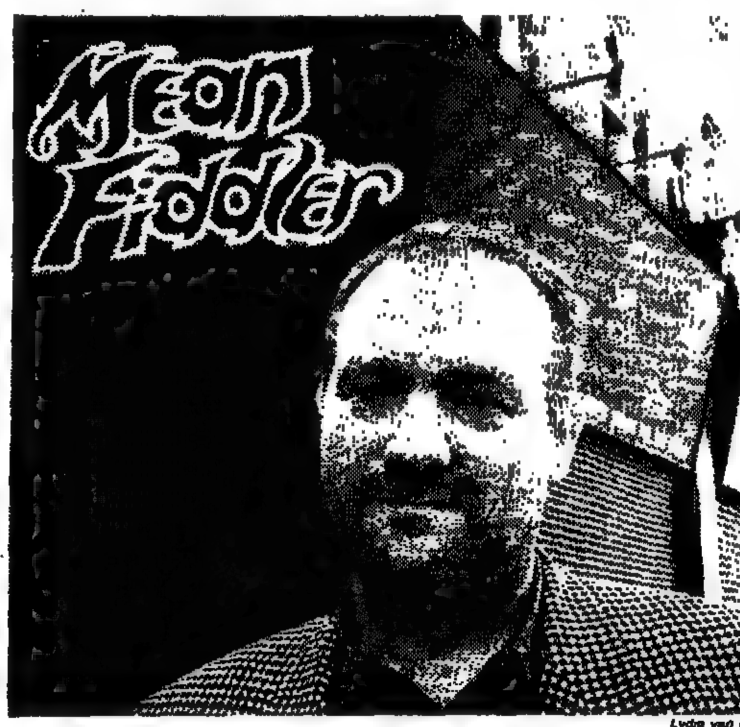
After a year in the Powerhaus, its expansive owner was ready to buy again, this time in North Kensington, under the Westway motorway. The North Kensington Amenity Trust had been set up in the 1960s to operate the commercial spaces created by the building of the new road to Oxford. One of these was a dance hall called the Acklam Hall. Dogged by its reputation as a narcotics cash and carry, Westminster wanted rid of the place. "I bought with a view to turning the place around quickly and ended up shutting it for a year, tearing it down to the ground and spending £0.75m on a rebuild," says Power smiling.

Subterania opened late in 1988 amid controversy over admittance and a tough stance on security: "We had to make it clear to one or two of the local lads that things had changed," Power explains in a soft Dublin brogue.

Undeterred by the hidden problems encountered in Ladbroke Grove, Power went on the acquisition trail again, this time south of the river. In late 1989, at the peak of the property boom, he spent £1.2m on acquiring and refurbishing a Grade 2 listed music hall in Clapham, The Grand. The biggest, most comfortable of his clubs, it turned out to be the riskiest of his ventures to date: "I didn't realise there would be such opposition from local residents". It took an appeal to the High Court to award him a music and dance licence, with the club dark for a year.

The Grand opened at the close of 1991, downstairs only, until 11 pm, with tough caveats on parking. "It is the best music venue in London – but I think Wandsworth would have preferred a Lloyd Weber production," Power says coolly.

Sitting at a dining table on the balcony of London's brightest but short-lived jazz venue, the Jazz Café, "I'll enjoy the challenge of turning this place around", he says.



Lydia van der Meer

Vincent Power: iron costings to the tune of £6m

Teresa Berganza in recital

Back in the 1970s Victoria de los Angeles used to come to London and give recitals where she would only start to get her audience warmed up with the first of her encores and would then go on to sing for another half an hour or more. It seems this may be a Spanish tradition.

It would be unfair to suggest that Teresa Berganza did not give her audience at Covent Garden on Tuesday anything to value in her programme, but she did leave it until late in the day. She is not an earthy Spanish mezzo, a sizzling and scorching singer like Conchita Supervia was years ago. Berganza sings with impeccable taste and craftsmanship, which allow for few risks to get the adrenalin going.

This was an all-Rossini programme, just about an hour of music. Berganza has the distinction of being a leading post-war Rossinian and his music still suits her well. The voice has lost some of its focus in the middle, which is breathy, but it is in good shape at either end, bright at the top with a keen edge, unforced and resonant at the bottom.

It almost seems a shame that the singer is not approaching her prime now, as she would be an ideal person to sing the Rossini operas alongside an orchestra of authentic instruments. The style, like the voice, is perfectly contained, precise, nothing out of place. The cantata *Giovanna d'Arco* needed more panache. But there were some good examples of bel canto songs and one truly outstanding piece of stylish and expressive singing in the heartfelt "Addio di Rossini".

Then came the encores. Rossini in Spanish style, zarzuela, Spanish song, "Cruda sorte" from L'italiana in *Algeri*, all well accompanied by Juan Antonio Alvarez Parejo and sung with enough elan to bring the evening to a rousing close. The array of flowers was one of the largest the Royal Opera's recital series can have seen. It is surely too soon for this to have been the "Addio di Berganza".

Richard Fairman

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Borodin and Orlando Quartets play works by Tchaikovsky and Brahms. Tomorrow and next Tues: *Hartmut Haenchen conducts* Mahler's Seventh Symphony. Sat afternoon: Valery Gergiev conducts works by Rimsky-Korsakov, Glazunov and Rakhmaninov (6718 345)
Beurs van Berlage 20.15 Istvan Parkanyi conducts the Netherlands Chamber Orchestra in works by Sacchini, Dussek and Haydn, with piano soloist Melvyn Tan. Repeated tomorrow (6270 466)
Muziektheater 20.00 Hartmut Haenchen conducts Stephen Pimlott's Bregenz Festival production of Samson et Dalila, with *William* Cochran and Catherine Keen, also Sun afternoon. Tomorrow, Sat and Mon: Dutch National Ballet mixed bill (6255 455)

■ BERLIN
CONCERTS
Schauspielhaus 20.00 Berlin Symphony Orchestra, conducted by members of the Sanderling family, in a programme of works by Wagner, Brahms and Beethoven, *repeated tomorrow* and Sat. Sun: Rene Jacobs conducts the Akademie für Alte Musik Berlin in Bach's B minor Mass (2090 2156)
Philharmonie Kammermusiksaal 19.30 Friedemann Layer conducts the Berlin Radio Orchestra in works by Klusak, Janacek and Schubert. Tomorrow: Libor Pesek conducts the Chamber Orchestra of Europe in a programme of Czech music. Sat evening and Sun morning: Riccardo Muti conducts the Berlin Philharmonic. Sun and Mon: Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra in works by Georg Katzer, Stravinsky and Mendelssohn (2546 8232)

■ BOLOGNA
Teatro Communale 20.30 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in works by Berlo, Schumann and Tchaikovsky. Repeated tomorrow in Bologna and on Sat in Turin (529999).

■ GHENT
FLANDERS FESTIVAL
Today's events include a Telemann programme by the Belgian Radio Sinfonia and Choir, and a King's Singers concert. Tomorrow: Alexander Rahbari conducts the Belgian Radio Philharmonic Orchestra. Sat: opening of Ghent Classical Dance Festival. Next week: Sawallisch conducts the Bavarian Radio Symphony Orchestra (Festival inquiries: Brussels 640 1525).

■ GOTHENBURG
Konserthus 19.30 Evgeny Svetlanov conducts the Gothenburg Symphony Orchestra in Bruckner's Eighth Symphony. Repeated tomorrow at 18.00. Next Fri and Sat: Leif Segerstam conducts works by Haydn, Brahms and Schnittke (167000).

■ LONDON
THEATRE
● Colquhoun and MacBryde: a new play about two Scottish painters, written by John Byrne, author of Tutti Frutti and Your Cheatin' Heart. Starts previewing tonight, Press night on Tues, runs till Oct 17. (**Royal Court** 071-730 1745).
● It Runs in the Family: Ray Cooney's new comedy about a distinguished neurologist who finds his past catching up with him in the shape of a son he never knew he had. Just opened. (**Playhouse** 071-839 4401).
● Valentine's Day: a musical adaptation of G B Shaw's You Never Can Tell, starring Edward Petherbridge. Opens tonight. (**Globe** 071-494 5067).
● The Madras House: Harley Granville Barker's poignant comedy in a production first seen at the Edinburgh Festival last month, where it was enthusiastically received. Till Oct 10. (**Lyric Hammersmith** 081-741 2311).
● A Woman of No Importance: Oscar Wilde's social comedy in a production by Philip Prowse first mounted by the Royal Shakespeare Company *in its 1991* summer season. (**Haymarket** 071-930 8800).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC
Royal Festival Hall 18.30 Opening concert of the London Philharmonic's South Bank residency: Franz Welser-Möst conducts works by Britten, Schumann, Stravinsky and Prokofiev, with Maurizio Pollini soloist in Beethoven's Fourth Piano Concerto (repeated tomorrow). Sun: Giuseppe Sinopoli conducts extracts from The Ring. Next week: Zubin Mehta conducts the LPO and Evgeny Svetlanov conducts Mahler's Sixth (071-928 8800).
Barbican 19.30 Adrian Leaper conducts the City of London Sinfonia in a Beethoven programme, with Moura Lympany soloist in the Fourth Piano Concerto. Tomorrow: world premiere of David Matthews' Oboe Concerto. Next Thurs: Michael Tilson Thomas conducts the first concert in the new LSO season (071-638 8891).
Coliseum 19.30 ENO production of Ariadne auf Naxos with Janice Cairns and Graeme Matheson-Bruce. Tomorrow: Rigoletto. Sat: La forza del destino (071-836 3161).
Luciano Pavarotti sings his last two performances in Tosca at **Covent Garden** on Sat and Mon (071-240 1066).

■ NEW YORK
Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Beethoven's Fifth and Schubert's Eighth symphonies, plus Mehul's Symphony in G minor. Repeated tomorrow, Sat and next Tues (875 5030).
State Theater 20.00 Christopher Keene conducts Frank Corsaro's New York City Opera production of Busoni's Doktor Faust. Tomorrow: Il barbiere di Siviglia. Sat: Cav and Pag. Sun afternoon: Rigoletto (870 5570). Mon: opening of Metropolitan Opera season (362 6000).

■ PRAGUE
● Jiri Belohlavek conducts the Czech Philharmonic Orchestra *tonight and tomorrow* at the **Dvorak Hall**, with Rudolf Firkusny soloist in Brahms' First Piano Concerto (286 0111)
● Simon Estes is soloist with the Czech Radio Symphony Orchestra in a popular concert tonight in the **Smetana Hall**. Sat: Slovak Chamber Orchestra. Sun: orchestral works by Bernstein, Dvorak and Brahms (232 2501).
● Tonight's recital by Rosenberg Capella in the **Basilica of St George** is entitled Music in the Court of Czech Kings. On Sat in the Monastery of St Agnes, the Stamitz Quartet plays works by Mozart, Janacek and Smetana (232 2501).
● The Prague Symphony Orchestra's new season opens next Tues and Wed in the Smetana Hall with a programme of Gershwin, Copland and Dvorak conducted by Richard Buckley (232 2501).
● This month's repertory at the **Prague State Opera** (formerly Smetana Theatre) includes Otello, L'Italiana in Algeri, Cosi fan tutte, Ambroise Thomas' Mignon and a Zemlinsky double-bill (Wilsonova 4, tel 265353).
● Czech violin virtuoso Josef Suk is artistic director of a chamber music festival (from Sep 20 to Oct 4) which focuses on Prague's rich musical traditions. For pre-booking and information about this and other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714).

■ ZURICH
Schauspielhaus 20.00 First night of new production of Shakespeare's A Midsummer Night's Dream, directed by Peter Wood. Daily except Sun (221 2283).
Opernhaus 20.00 Die Zauberflöte. Tomorrow: Rigoletto.
Sat: Nello Santi conducts the first night of Francesca Zambello's production of Bellini's Il Pirata, with Mara Zampieri and Salvatore Fisichella, also next Tues and Thurs (262 0909).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY
CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Thursday September 17 1992

Sterling hangs by a thread

THE END was both swift and expensive. With base rate up to 15 per cent and perhaps as much as £9bn of foreign exchange intervention thrown in too, the UK government put the public's money where its mouth has long been. But it was not enough. The ERM policy became unsustainable because no British government can defend a parity at the price of a slump. Now the policy has collapsed and the government must start afresh.

The crisis is not limited to the UK. The ERM itself is under threat, at least outside its inner core. The 7 per cent devaluation of the lira over the weekend already seems insufficient, while the Spanish peseta is also falling fast.

The British government must have wanted to hold on until this weekend's French referendum on the Maastricht treaty. Yet it would be wrong to exaggerate the significance of this vote. French affirmation of the treaty had earlier been expected to renew the journey towards economic and monetary union. But that vote may now not make much difference to the future of the ERM, since the prospect of Emu is so remote as to be almost invisible.

The dwindling plausibility of Emu has left the ERM naked. What has been needed to clothe it is reconciliation of the Bundesbank's desire for lower inflation with the hope of the rest of Europe for sustainable economic growth. This conflict of objectives, following German unification, has not created purely economic difficulties. It has undermined the European harmony that the ERM was intended to promote.

Evident conflict

Nowhere has this been more evident than in comments made *sotto voce* by German policymakers about British policy and, more openly, by far too many British politicians about the Germans. The conflict was evident at the meeting of European finance ministers in Bath earlier this month. It was implicit in naive remarks from Downing Street that Monday's tiny German interest rate cuts had "probably brought forward the time when British interest rates will move". They did, but the direction was inevitably upwards.

Some will criticise the British government's tactics: its failure to raise interest rates earlier, for example, or more sharply at first yesterday. But either measure might have been viewed as a sign of panic, not of determination. It is easier to criticise the way the government reiterated its desire for lower interest rates, except that the wish would have been evident even if it had never been expressed.

Less feasible

Continued economic stagnation is what made this policy impossible to pursue. Indefinite continuation of rates of interest of 15 per cent would have been still less feasible. When the government said the chances of realignment were zero, it was being economical with the truth. The chances were hugely greater than zero, because the costs that would be endured to avoid devaluation were bound to be limited.

Now, with the sensible decision to suspend sterling from the ERM, the macroeconomic policy of the government is in a shambles. First it tried monetary targeting. Then, starting in 1985, the Treasury tried to target the exchange rate. Now it must think policy out from scratch.

One possibility is to try to clamber back into the ERM as swiftly as possible. But the argument for joining an ERM that seemed to have credibly fixed exchange rates is different from the one for joining the present unstable version, even if it survives in a recognisable form.

The alternative is to continue floating. This would give the government a higher degree of interest rate flexibility. That, combined with a depreciation should allow some recovery, though inflation will probably continue to fall for some time. The challenge would be to take advantage of the new opportunity, while preventing the loss of all those hard won disinflationary gains.

This is a defeat. It is a defeat for the British government's economic policies, just as it is a defeat for European co-operation. But life goes on. The British government will have to find new ways of achieving non-inflationary growth. It will also want to renew co-operation in Europe. Despair cannot be afforded, still less envenomed recrimination.

The Bundesbank and Britain

IN PRESTIGE and pride, performance and power, the German Bundesbank is an exceptional central bank. Prestige stems from its statutory mandate to maintain German price stability independent of government "instructions". Pride is a result of its anti-inflationary track record, and its contribution to the stability of a country which in the first half of this century unleashed two world wars. The Bundesbank's performance feeds and is fed by the credibility it has established on the financial markets. Power has been augmented by the post-war circumstances which have made Germany Europe's strongest economy, and turned the D-Mark into the anchor of the European Monetary System.

The bank which in all but name has become Europe's central bank is not a machine. Yet, as an institution, it can prove dangerous for politicians. Chancellor Konrad Adenauer once complained that the bank was "responsible to no one". Bundesbank policies contributed directly or indirectly to the breakdown of three German governments, those of Mr Ludwig Erhard in 1966, Mr Kurt Georg Kiesinger in 1969, and Mr Helmut Schmidt in 1982. High German interest rates may yet play a part in the downfall of Mr Helmut Kohl. The Bundesbank is an organism with which governments tangle at their peril.

Exacting standard

All this was known to Mr John Major when, as chancellor of the exchequer, he took Britain into the exchange rate mechanism (ERM) in October 1990. In anchoring themselves to the D-Mark, ERM members have set themselves an exacting standard; the Bundesbank has often wondered aloud whether Britain could live up to it. Mr Karl Otto Pöhl, the president between 1980 and 1991, forecast in September 1990 that, if it tried to link sterling to the D-Mark "for all time", the UK could face "mass unemployment and enormous payments problems".

The challenges for all ERM members have risen greatly because of the Bonn government's policy errors over German unification. Large German deficits have given an inflationary boost to German growth. This has forced the Bundesbank to raise interest rates far higher than foreseen two years ago. Countries – within and outside the ERM – which had hoped to hitch a ride to price stability on the Bundesbank's coat tails have suffered a bumpier journey than they imagined. Such countries have also seen their own efforts to reduce inflation (in France, Finland, Norway, Denmark, Belgium and Sweden, to below German levels) disregarded by the financial markets. If there is a culprit, it is, however, Mr Kohl and his fellow politicians, not the Bundesbank. An important reason for Mr Pöhl's resignation was his unheeded criticism of Mr Kohl's mistakes.

Not unblemished

For all this, the Bundesbank has not emerged unblemished from the fray. Under Mr Helmut Schlesinger, Mr Pöhl's successor, the Bundesbank has placed too much emphasis in the past 12 months on trying to cut growth in M3 money supply – an indicator which, partly because of unification strains, has become a less reliable yardstick of future inflation.

More important, Mr Schlesinger has laid himself open to charges of disingenuousness or worse through Tuesday's hints of sterling devaluation. As an academic economist, Mr Schlesinger is entitled to believe that the pound's level against the D-Mark is too high; he may also have been put under exceptional strain by this month's pressures for lower German interest rates. But as a practising central banker, he should know when to keep his mouth shut – especially when foreign exchange turbulence adds to the speculative German currency inflows, the disruptive effect of which Mr Schlesinger most fears.

Britain cannot blame the Bundesbank for its economic problems. But under the rules of the European Monetary System, it is entitled to assistance, rather than to sniping. Whether or not Europe proceeds towards economic and monetary union, central banks and governments will need a *modus operandi* for better monetary co-operation. Europe's interests will be ill-served if the Bundesbank contributes to a climate in which it becomes a scapegoat for troubles outside Germany.

After the US, the world

Paul Betts examines the risky global ambitions of British Airways

The Conquistadores del Cielo is an exclusive club of aviation industry heavyweights who meet twice a year in a Californian ranch to eat, drink and talk in an informal manner about business. But last week's gathering of the self-styled "conquerors of the sky" was anything but relaxed.

Mr Robert Crandall, chairman of American Airlines, and Mr Stephen Wolf, head of United Airlines, were reported to be lobbying other airline bosses, as well as aircraft and engine manufacturers, to put pressure on the US government to block the proposed $750m acquisition by British Airways of a 44 per cent stake in USAir, the sixth-largest American carrier.

Political infighting has now reached a rare level of intensity on both sides of the Atlantic, as the US government prepares to approve or reject the BA-USAir deal. Mr John MacGregor, the UK transport minister, is flying to Washington next week for consultations with Mr Andrew Card, his American opposite number. Yesterday, Mr Card dashed the airlines' hope of a decision by September 19, and the decision could be delayed because of the political sensitivity of the issue in a US presidential election campaign.

The stakes are high. Mr Lawrence Nagin, executive vice-president of United Airlines, describes the proposed BA-USAir deal as "one of the rare defining moments" in aviation history. Sir Colin Marshall, BA's chief executive and deputy chairman, says the combination with USAir would set BA "well on the way to becoming probably the first truly global airline group".

This has long been BA's ambition. After failing during the past three years to link up first with United Airlines, then with Sabena of Belgium and more recently with KLM Royal Dutch Airlines, the UK carrier has finally succeeded this year in negotiating a string of alliances and equity investments with other carriers in an effort to secure its longer-term future as one of the world's dominant airline groups.

Apart from the USAir investment, BA is establishing a new Moscow-based international airline with Aeroflot, called Air Russia. It has acquired a 49 per cent stake in a small German carrier called Delta, which has since been renamed Deutsche BA to strengthen its position in the German market. It expects to complete next week the acquisition of a large minority stake in Transport Aerien Transregional (TAT), a French regional airline, which will enable BA to challenge Air France in its home market.

"The missing link is still the Far East," concedes Lord King, BA's chairman. But BA is also hunting for partners in the Asia-Pacific market and has expressed interest in taking a stake in Qantas, the international carrier being privatised by the Australian government.

Other airlines have also been scrambling to forge alliances, equity partnerships and close marketing ties with other carriers. The trend towards globalisation is not new. It is simply the strategic response of the industry to increasing deregulation, progressive privatisation of state carriers, the competitive necessity of the stronger airlines to expand, and the need of financially strapped airlines for fresh capital and partnerships to survive.

Air France has acquired a large minority stake in Sabena and CSA of Czechoslovakia this year; Swissair, Singapore Airlines and Delta of the US have formed a trilateral alliance involving cross-equity stakes between the three carriers; KLM has a large stake in Northwest Airlines of the US; Air Canada and Canadian Airlines have just merged and are seeking to combine with the bankrupt Continental Airlines of the US, in which Scandinavian Airlines System had earlier bought a costly equity stake; and Lufthansa yesterday joined the fray by announcing it was considering a joint bid for Continetal with Mr Marvin Davis, the US financier.

The process is expected to lead to significant concentration in the industry, with a few large airline groups dominating the international market. "Ultimately, there will be, perhaps, no more than 10 or 12 global airline combines, perhaps fewer: three or four will evolve from the existing European industry, with similar numbers anchored in North America and the Far East-Pacific area," Sir Colin predicts.

But by aggressively challenging the big three US carriers – American, United and Delta – in their own market with the USAir deal, BA has turned the battle, which has been building up all year over the North Atlantic, into all-out war. The three see BA as their biggest threat, not only because of the UK carrier's financial and marketing strength but also because they feel BA continues to enjoy unfair advantages under the existing US-UK bilateral aviation agreement.

This bilateral agreement, claims Mr Ron Allen, Delta's chairman, "is one of the most restrictive in the world". He says it grants BA more access to the US than any other airline, and severely restricts the rights of US carriers to compete in the UK market. While BA serves 18 destinations in the US, American carriers complain the aviation treaty limits the number of US airlines in the UK market as well as the number of seats they can offer.

They argue the BA-USAir deal would worsen the competitive imbalance by creating an integrated airline network with European and US market access that could not be matched by any other US airline because of the restrictive bilateral agreement. In a joint policy document, the big three US passenger airlines and the two specialised American freight carriers, Federal Express and United Parcel Service, have urged their government to negotiate a new "open skies" agreement with the UK and not place a "for sale" sign on the US airline industry.

"This is not a question of British Airways acquiring a toehold in the lucrative US market, but a potential stranglehold over access to 55m USAir passengers and 200m freight tonne-kilometres of air cargo a year," they claim. They further argue that the BA-USAir deal breaches US airline foreign ownership rules because the agreement would give BA "substantial and effective control over virtually all business aspects of USAir".

BA scoffs at these charges. "The fact is that the deal, meeting existing regulations, has no implications for the UK-US air services agreement whatsoever: rather, the boot is on the other foot," Sir Colin says defiantly. Under the terms of the deal, BA would secure a 44 per cent stake and 21 per cent of the voting rights in USAir, complying with current US rules limiting foreign ownership in airlines to 25 per cent of voting rights.

Moreover, Sir Colin argues that if US carriers want to table new demands from Britain they should provide commensurate concessions for UK airlines, including the relaxation of restrictive ownership rules.

The UK has also complained that US carriers have long enjoyed advantages denied to their international competitors by continuing to dominate their domestic market with large hub and spoke networks. While BA controls 39 per cent of take-off and landing slots at London's Heathrow airport, American controls 65 per cent of slots at Dallas; United 68 per cent at Washington National and 46 per cent at Chicago; and Delta 70 per cent at Atlanta. Two years ago, the UK also scrapped traffic restrictions at Heathrow, allowing American and United to replace the now defunct Pan American and the struggling TWA at London's biggest airport and BA's traditional home base.

The North Atlantic has traditionally been a big money earner for BA. Even in a depressed market savaged by a ferocious fares war, America contributed £119m of BA's £344m operating profits for the year ended March 1992. By comparison, Europe made only £30m.

But there are also risks. Although the USAir investment, involving $750m of preferred stock carrying an annual dividend of 7 per cent, gives BA some financial protection, it is still paying $750m for 44 per cent of a company currently valued at about $600m.

It is also betting on a recovery of the US market in which USAir, revitalised through the BA partnership, would be in a stronger position to compete against the big three US carriers. But so far there is little sign of that recovery. "The situation has reached the point of absurdity in the US where the fare war is taking on an air of collective suicide," says Mr Bernard Attali, chairman of Air France, which has marketing links with USAir.

American Airlines, the world's largest carrier, sparked off the latest conflict this year by reducing domestic fares by close to 40 per cent. "Last year, American lost $240m... Small matter, for what counts is killing the others," adds Mr Attali.

A bigger risk for BA is over the north Atlantic itself. A liberalisation of the existing bilateral US-UK aviation treaty could undermine the airline's strong profitability on these routes.

The US airlines and their government are pressing European countries to negotiate new "open skies" agreements similar to the deal negotiated with the Netherlands last week. But large European carriers fear this could turn the North Atlantic market into a free-for-all similar to that which has shaken the deregulated US market in the past 10 years.

To secure US approval for the BA-USAir transaction, the UK is expected to make some concessions next week to give US carriers more access to the UK market, but it is unlikely to link directly any concession with the BA deal. The question is whether these concessions will be big enough to satisfy the US carriers' appetite for expansion into the UK and Europe.

Mr Crandall of American has already drawn up an extensive shopping list: better access to slots at Heathrow; new US destinations to London; allowing US carriers as many routes out of Heathrow as UK carriers have; unlimited access to secondary UK cities; more liberal capacity and fares controls; rights to fly beyond the UK to other European destinations.

Unless the US carriers can secure all or most of these rights, Mr Allen of Delta argues that US government approval of the BA-USAir deal would be "tantamount to the USA declaring unilateral economic disarmament". Such a reaction, says Sir Colin, only serves to reassure him that BA's agreement with USAir is "a good one".

Whatever the outcome of the current US-UK negotiations, BA's move on USAir has already triggered a process likely to lead to fundamental change in the airline business and the way aviation is regulated.

"The transaction holds the prospect of making enormous inroads in the protectionist thinking that still pervades much of the international aviation regime, and could well be the lever with which to open Europe and the US to a free competitive environment," says Mr Nagin of United.

It could turn the Conquistadores del Cielo into an original script for a Spielberg blockbuster.

BOOK REVIEW

The contradictory Dr K

KISSINGER: A BIOGRAPHY
By Walter Isaacson
Faber & Faber, £25, 893 pages

In the annals of modern American statecraft, no one occupies a more prominent place than Henry A Kissinger. For eight years under Presidents Nixon and Ford he dominated the conception, formation and execution of US foreign policy, at times appearing to act with an authority more solid than that of the president himself. With Nixon, he extended, then terminated, America's disastrous entanglement in Indochina, and as the Nixon administration crumbled, he represented one of Washington's only anchors of stable government. He initiated détente with Moscow and made the historic opening to Beijing. Like some other-worldly chess player, he manipulated and managed foreign crises more single-handedly than any US government officer before or since.

Yet Kissinger's reputation remains as hotly contested today as it was when he departed office in 1976. Still admired for his dazzling intellect and sought after for his international expertise, he is also blamed for much unnecessary slaughter in far-flung places and held responsible for a lasting tendency towards duplicity in the US executive branch's handling of foreign affairs. To his many critics, he is enduringly tainted with the bad smell that stifled the Nixon presidency – the wire-taps, the petty in-fighting, the lies.

Walter Isaacson's book is an attempt to pin down this contradictory and elusive figure once and for all. It is, of course, not the first – if anything the task is complicated by the existence of Kissinger's own voluminous, highly readable but subjective memoirs, not to mention the large corpus of sycophantic and bitterly hostile literature that has appeared in the past 16 years. But it is undoubtedly the most successful. Isaacson, an editor with Time magazine, writes with wit and insight; he is also greatly helped by having had extensive access to his subject without conceding any editorial control.

This is no hatchet job. The author has weighed the merits and the mistakes of Kissinger's career. Nevertheless, the portrait that emerges is of a deeply complex, even bizarre, personality: a mixture of preening arrogance and foot-stamping paranoia; of irresistible charm, vindictiveness and an almost pathetic desire to be liked; of strong, but highly changeable, convictions.

Isaacson plausibly attributes many of these traits to Kissinger's early life as a Jew in Nazi Germany, where 12 of his relatives perished. But in his case the refugee's desire for recognition was a mania. As a young academic at Harvard, he spent much time seeking to ingratiate himself with the powerful and famous, and from his army days he attached himself to a series of influential patrons who – recognising his brilliance – secured him advancement. Having been adopted by the most important patron of all, he craved celebrity, becoming the darling of the Georgetown dinner circuit, of TV talk shows, and of the Hollywood starlets whom he conspicuously but celibately dated.

These personality issues are central to an understanding of Kissinger's statesmanship. Partly as a result of his background, his world view was dark. He was heavily influenced by gloomy European thinkers such as Spengler, and more or less consciously modelled himself on Metternich, of whose aptitude for intrigue and manipulation he wrote approvingly while at university. He felt strongly the need for international order, and dismissed the moralistic or idealistic arguments that often prevail in US foreign policy debates. This could lead to misjudgments: Kissinger's tendency to view all regional conflicts through the prism of the cold war, for example, even when there was no evidence of Moscow's hand, and his disregard for home-grown political forces in countries he perceived as friends or foes.

What Kissinger felt most strongly of all, however, was his urge both to command the stage and to direct the performance. His style was devious; he preferred "back channels" to formal diplomatic communication, stealth to openness. On occasion this paid dividends by enabling Kissinger to cut through the conventional wisdom. As Isaacson argues, the stunning China initiative would not have been possible had it been conducted through regular state department channels. But at other times, Kissinger seemed to choose the cloak and dagger for their own sake. To quote Napoleon on Metternich, he tended to "confuse policy with intrigue". As often as not, the intrigue was directed at rivals within the administration.

Kissinger might respond to these charges by saying that the means were justified by the end, which was to steer the US out of its Vietnam débâcle and establish a new balance of global power. In that he succeeded, for a time. He was certainly more alive than most of his peers to the limits on American power in the 1970s, and that remains an important legacy at a time when the US may be on the brink of electing its first Vietnam-generation president. Where Kissinger erred most substantially, perhaps, was in failing to understand that Americans need a more compelling justification for an active involvement in the outside world than his calculating *realpolitik*.

Andrew Gowers

ECONOMIC VIEWPOINT

Devaluation defeat – how '92 differs

By Samuel Brittan

Every experienced economic journalist who supports a government policy ought to know that the likelihood is that the rug will be pulled from under him by the government itself. So I was not surprised by the decision to suspend the ERM parity, but was aghast at the follies which passed muster for the defence of sterling.

As a veteran of many sterling crises, I am always astonished by the astonishment of the official world at the size of each new run on sterling. During the long period since the end of Bretton Woods, British ministers and officials seemed to have forgotten about the art of operating a system of semi-fixed exchange rates. The combination of German unification pressures, the weak dollar, the hysterical atmosphere surrounding the French referendum and the Bundesbank's ever more open advocacy of sterling devaluation have been evident for a long time for those with eyes to see; and a crisis like this week's has always been very much on the cards.

The government spent far too long waiting to raise interest rates and thus paraded its reluctance to do so. An independent Bank of England would have acted earlier, even if only by a few vital hours yesterday.

But the Bank itself is at fault in not doing more to push up the very short-term rates covering the French referendum period. Yesterday afternoon dealers were quoting 70 per cent for borrowing sterling until next Monday. This compared with the overnight marginal lending rate of 500 per cent imposed by the Swedish Riksbank for its overnight lending rates. In any case it arrived too late.

There were also the usual piffling political mistakes, such as the prime minister and chancellor expressing hopes for lower interest rates when the only thing to have said was that they would go up as much as needed.

Another tactical mistake was to say too little about the resources available to defend sterling, most of which were apparently still not used. There was also a technical problem at the highest level, which should have been resolved years ago.

This was the reluctance of the Bundesbank to fulfil its *legal* obligation to give unlimited support to currencies at the bottom end of the parity grid. The Bundesbank's passionate conviction was that such intervention involved the creation of more D-Marks and was thus inflationary. This was in sharp contrast to the attitude of the Fed and the Bank of England, which was that sterilisation of these inflows was possible and almost automatic. It would require a medieval scholastic to determine the issue. But the practical need to establish a *modus vivandi* was neglected.

The next few days will determine whether the British defeat has been in a battle or in a war – and not just for the Major goverment but for national hopes of price stability and non-inflationary growth. It is not a good sign that having raised MLR to 15 per cent in a panic, the government was not prepared to stick it out for the few remaining days until the French referendum result is known.

If the UK were to rejoin the ERM after a French Yes vote at a central rate somewhere within the previous parity grid, there will be hope. But the prospects are not promising, as the financial talking classes, the rightwing xenophobes and the inflationist Left have all tasted blood and will exert the maximum pressure, both on the government directly and on the foreign exchange markets, to prevent this happening. The UK's partners will also want some assurance that Britain's renewed membership is not going to disrupt the system yet again. One question to be asked in a very necessary post mortem is why France has been so much better able to withstand the same pressures.

* * *

Many people have compared the currency pressures today with the events leading up to the British devaluation of 1967. The two periods have much in common: numerous passionate official denials of any intention to devalue, a prime minister and chancellor staking their reputation on maintaining the parity, and heavy losses in the defence of sterling.

There was, however, one big difference in policies between now and then. When the Wilson government came to office in 1964 it was asked to choose between restricting domestic demand and devaluing the pound. It chose neither and tried to muddle through by overseas borrowing, incomes policies and marginal industrial intervention. By contrast the Major government thought it was committed – like the French Socialist government – to a monetary and fiscal policy giving top priority to maintaining the ERM parity rather than to "growth" objectives. It was thrown off-course this time by a combination of political and market events, having little to do with fundamentals.

I was present at the fateful press conference at Number 10 Downing Street to explain the 1967 devaluation, and was booed because the Downing Street crowds thought that the departing journalists were Cabinet members. I may well have deserved it. For I had been actively campaigning for devaluation wherever I could find an outlet. This was rarely. For one difference between the two periods is that in the 1960s nearly all publications had adopted self-censorship and never mentioned the "D" word. This time it became a cliché – and common ground between left and right-wing critics of John Major, never previously known to be interested.

Periodic devaluations are like trying to get up earlier by shifting the clock – not a good long-term bet

Why have I changed my attitude? The main reason is in the realm of ideas. In the 1960s I wanted governments to increase demand more quickly to stimulate growth and employment. Devaluation, it was hoped, would remove the balance of payments constraint against their doing so by making British goods more competitive. Yet at almost the very same time Milton Friedman gave his famous 1967 presidential address to the American Economic Association, showing that there was no long-term choice between inflation and unemployment. The implication was that the main impact of demand stimulation was just on the price level: growth and employment were determined by the labour and goods markets – the "supply side".

There might still be some short-term arguments about how quickly to reduce inflation or whether the exchange rate was a useful buffer against outside shocks. But these were all second-order questions and not the key to growth and jobs. If this was so, financial policy might as well concentrate on obtaining the very real gains from stable prices. I came to think that this could be best achieved by aligning sterling against a currency with a good record for staple prices, such as the D-Mark.

There was nothing in all this to suggest that stable prices would themselves lead to rapid growth, as sound money advocates are caricatured by their opponents as saying. The most that can be asserted is that low inflation is a precondition for successful growth policies and that British – unlike, for instance, Italian – business has not been very nimble at adjusting to high inflation.

A devaluation is fool's gold. Once it has been forced, the foreign exchange market expects another; and to insure sterling holders the UK needs a higher level of interest rates.

Moreover, estimates of comparative purchasing power suggest that sterling was not overvalued except against the dollar. The heart of the devaluationists' case is embodied in John Muellbauer's suggestion in the Financial Times of September 14 that relative UK competitiveness was some 20 per cent less than over the average of 1964-79, despite the purchasing power estimates.

There are many dubious aspects of such a remote index number comparison. If it was the whole story it would be difficult to understand why – as shown in the second chart – the UK share of world trade was falling when sterling was supposed to be very competitive, but has roughly stabilised since the early 1980s when sterling has been supposedly overvalued. This does not dispose of the UK's high propensity to import; but it is difficult to demonstrate that it is higher than other countries', especially if account is taken of the implications of inward Japanese investment, which has already turned the UK into a net exporter of television sets and is likely to eliminate the deficit on cars by the mid-1990s.

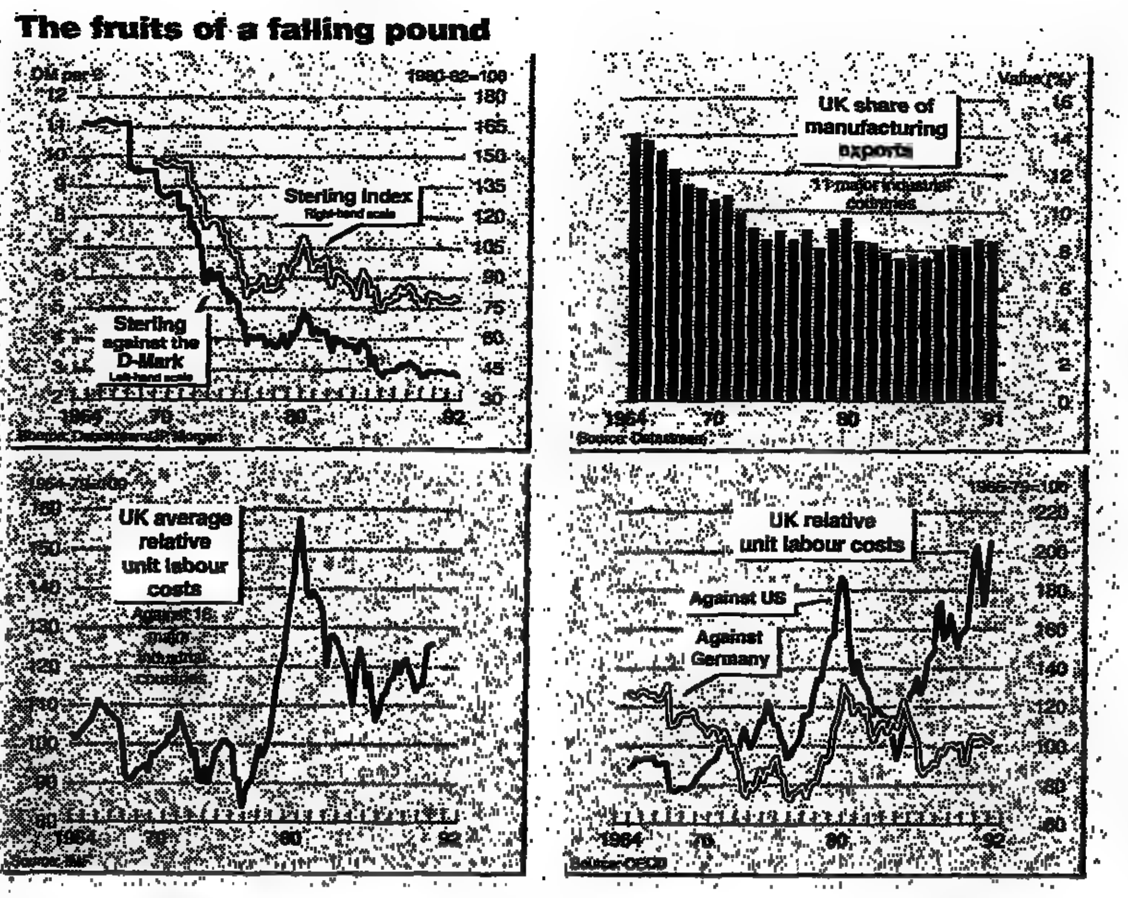
More insight is obtained by looking at competitiveness against the US and Germany separately. On the OECD unit labour costs index, Britain is just as competitive against Germany as it was over 1965-79. The deterioration has been against the US. This fits in with the complaints of British business which have been against the low dollar rather than the D-Mark parity. But this affects all European countries, and Japan cannot be met by unilateral British action. As a matter of fact Britain looks more competitive against Germany than it does against other members of the ERM – a fact which makes me all the more sceptical of how useful the indices are for currency fine tuning.

All this is shadow boxing. What really influences me now is the UK's long history of repeated self-defeating currency depreciation, The first chart shows that sterling has dropped from DM 11 to less than DM 2.8 since 1965. Against the basket it has fallen by more than 50 per cent since 1970. Yet the result has been either no improvement in competitiveness, or a deterioration if Muellbauer's indices are right. Clearly the nominal depreciation has been offset by inflation.

Even the most sophisticated devaluation advocates overlook the distinction between a one-off adjustment and a succession of downward adjustments. The latter become entrenched in the labour as well as the financial markets and become just part of an ongoing inflationary process.

Periodic devaluations are rather like trying to get up earlier by shifting the clock. On a one-off occasion it may work; but repeated many times over it is self-defeating and worse.

The fruits of a falling pound



Inflexibility meets naivety

Quentin Peel and Andrew Fisher on what Schlesinger said

For an institution that prides itself as a paragon of conservatism and stability, the German Bundesbank seems suddenly to have become remarkably accident-prone.

Twice in a matter of days, the mighty central bank has been forced to issue agonised denials of statements attributed to it, on each occasion too late to prevent a blood-letting on the currency markets.

First it was a confidential report by a leading French bank, saying the Bundesbank believed the lira, peseta and sterling were all "candidates for devaluation".

Now it is Mr Helmut Schlesinger, the president, who denies having told two business newspapers that the problems of the currency market have yet to be resolved, more currencies will come under pressure, and a more comprehensive realignment within the European Monetary System would have been better.

What is up? Is it all a terrible plot by the beastly Bundesbank to bash the Brits? Or is it a tale of incompetence, a chapter of accidents by a lumbering institution, a public relations nightmare and no more?

The latest tale of woe is certainly indicative. Mr Schlesinger decided to give a simultaneous session on Tuesday afternoon to Germany's Handelsblatt and the US Wall Street Journal. His intention was apparently to answer the barrage of criticism, at home and abroad, that the Bundesbank had lost its credibility as an independent institution. The charge is that it was pressured politically into easing its interest rates in exchange for a limited realignment in the EMS on Monday.

The interview was only granted on the guarantee that the subsequent publication would be carefully cleared by the bank's press department – a common German practice, but a considerable concession for the Journal. What Mr Schlesinger failed to take into account were the inflexible deadlines of his own national newspapers.

An interview at 4pm was clearly a challenge for the US publication, but it managed to clear the article in time. A respectable, but unexciting version, warning against expectations of further interest rate cuts, duly appeared yesterday. Only one slightly dubious quote slipped through: "One can see that the problems aren't finally solved," Mr Schlesinger was quoted as saying. "But it looks much quieter than it did last Friday."

The same cannot be said for Handelsblatt, a paper with a reputation almost as worthy as that of the Bundesbank. It was quite unable to process an entire interview in time for its late afternoon deadline. So it decided to run a brief summary, and publish the interview today. Even then, the summary story only made the last few thousand copies of the print run. But the result caused consternation in the corridors of Europe's central banks – above all in London and Frankfurt itself.

As German newspapers often do with a good story, Handelsblatt sent a summary of the story to the news agencies in advance, and it was humming on the wires by 8pm on Tuesday. As soon as the news got to London, the Bank of England rang the Bundesbank, demanding an explanation. It was told the interview was "unauthorised". Nothing shocking would appear. By then the uncensored summary was coming off the Handelsblatt presses. It was too late to stop it, even though it was barely 9pm.

Did Schlesinger say, or did he not, that he would have preferred a more comprehensive alignment? "He did not say that, and he did not mean that," a Bundesbank spokesman replied. Yesterday, Handelsblatt and the bank's press department were locked in what one participant called "a damage limitation exercise".

Mr Werner Benkhoff, the head of the newspaper's currency and capital markets department who conducted the interview, is unrepentant. "We stand by the story. The content accurately reflected what he said," he insisted yesterday. "But we also admit that it was not the authorised version."

One person closely involved says the Handelsblatt excerpts were simply "the direct quotes in indirect speech".

The whole truth will probably never be published. But it does say something about inflexible German press practices, and the naivety of the correct and courteous Mr Schlesinger. He was stating, or leaving the impression of, little other than the obvious. The fact that it came from the president of the Bundesbank is what caused the consternation. "Your boss is too honest for his own good," was the comment made to a Bundesbank official overheard in the corridor after the interview.

OBSERVER

Those darn foreigners

■ Haven't we been here before? Yesterday's activities in London bear some uncanny similarities to events 61 years ago, when the very same date saw the start of the countdown to Britain's departure from the gold standard on Monday September 21.

As international financial confidence in Britain's policies drained away, the Bank of England lost £3.5m in reserves on Wednesday September 16. With foreign exchange tension increased by a mutiny in the Royal Navy, together with fears of an early general election, the reserve losses increased to £10m on Thursday, and £18.75m on Friday.

The government made frantic efforts to arrange fresh loans from New York to shore up the pound, with a certain Thomas Lamont – a senior partner in JP Morgan – playing an important part in the negotiations. But the decision to end the link with gold was made on Friday evening.

Announcing the decision, as well as a rise in bank rate from 4.5 per cent to 6 per cent, the government issued the following soothing statement, carried in Monday's newspapers:

"This emergency measure, it must be recognised, clearly is in no sense a reflection upon the internal conditions of the country. It arises from the fact that foreigners, largely because of a lack of confidence in the stability of their own countries, have thrown such pressure upon sterling that it has become temporarily necessary to arrest the abnormal withdrawals of gold which have resulted."

Butted around

■ Yorkshire-based Spring Ram Corporation likes to have a bit of a do to mark its results meetings. Last year, for instance, the bathrooms and kitchens group brought 15 carnation-sporting directors to London, to give them a view of City types. This time the mountain is going to Mohammed – or Bradford, at any rate.

Bradford is the venue for the announcement of its interim figures, so a "Spring Ram Train" has been chartered to ferry analysts, fund managers and journalists – animals that companies normally try to keep in separate cages on such occasions.

They will be herded round two factories (the group is spending more than £100m on new plants) and fed in Tong, an upmarket village on the city's outskirts.

Whether the junket will improve sentiment is another matter.

Having grown rapidly to make £37.6m pre-tax profit last year, the company has recently sparked an outbreak of doubt among some analysts. In the summer came a downgrading of profit forecasts, from £45m to £40m for the full year, and the share price fell sharply.

With questions being raised about accounting techniques, some companies might think it time to keep their head down, but then Ram was never noted for its cautious quiescence.

Perhaps it is hoping it will be easier to work the old magic on its home turf.

Prescient

■ Half an hour before the first base rate increase of the day, Pearl Assurance was yesterday biking around the City the latest results of the Pearl Investor Confidence Index – which proudly showed a rise for the first time since May.

"Tough," says Pearl's insouciant marketing manager Martin Fox. "It accurately mirrored people's views two weeks ago" – when the interviews were conducted.

But Pearl's mistiming is as nought compared with that of Bundesbank president Helmut Schlesinger who, had he nothing else on his mind, might be wishing he had chosen a different title for the speech he delivered at the Institute of World Economics in Kiel on Monday.

Receiving the Bernhard-Harms medal for contributions to world economic affairs, he spoke on the subject of "Progress in the monetary integration of western Europe".

'If you jump you'll never know how the French referendum went'

Shown up

■ How do Russia's new business managers compare with their longer experienced counterparts in Britain? Like energetic and ambitious youngsters set beside cautious conservative oldies, according to Moscow researcher Mark Urnov who has been studying samples of both as part of his work at the Academy of the National Economy, and the Gorbachev Institute.

The study, made in collaboration with the UK's Sundridge Park Management Centre, showed that a mere 13 per cent of the British set great store by outperforming everyone else around, as against a third of the Russians.

Moreover, whereas nearly half of Urnov's home-country sample thought it very important to work for a highly regarded outfit, the same was true of only 14 per cent of the UK contingent.

"British managers are a little tired of life," he said – and that was *before* the hike in base rates.

Every day story

■ Organisers of Sovereign, the Victoria and Albert Museum's *long-running exhibition* (of which Pearson was one of the sponsors) have the pensioners of Ambridge – rather than the tabloid newspapers – to thank for a late rally in attendance figures.

The show, which marked the 40th anniversary of the Queen's accession, at first did abysmally. However, after a final gate of 180,000 by the time it closed last Sunday, it is now being hailed as a "popular success".

In August, Sovereign's visitor figures did improve – coinciding with revelations about the Windsors' marital difficulties. But then the V&A had the bright idea of contacting The Archers, BBC Radio 4's immortal soap about Midlands village life.

In the first week of September, an audience of around 7,500,000 heard Jack and Peggy wave off the coach containing Ambridge's Over Sixties Club on its annual summer outing – to see Sovereign.

The result, gloats the V&A's upmarket press office, was a final week which was "absolutely heaving".

A plug on The Archers must now be every pr's dream.

Bar sinister

■ Political correctness strikes again. The US National Center on Health Statistics has outlawed the word "illegitimacy" and substituted "non-marital child-bearing".

Ah well...don't let the non-maritally born frictionally diminish you, as they say.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Greater frequency of realignments only way forward

From Mr Jonathan Hoffman.

Sir, Some feel that Monday's rate cut damaged the independence of the Bundesbank. But the key violation of independence happened five years ago. Monday's rate cut was only an example – admittedly, the most dramatic so far – of the results of the exchange rate mechanism procedures introduced in 1987 (the so-called Basle-Nyborg Agreement), which require the Bundesbank to finance intervention that is in principle unlimited, to stop another currency from breaching its lower ERM limit. By inflating the German money supply, such a requirement directly conflicts with the Bundesbank's statutory responsibility of safeguarding the D-Mark.

Surely the lesson of Monday's cut is that the Bundesbank cannot be expected to operate in the face of such direct conflicts of interests. That is why the ERM has no choice but to go forwards – to EMU – to more frequent realignments; the present state of limbo is completely unsustainable.

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Not a cause of sick buildings

From Mr Charles E Rossiter.

Sir, Catherine Milton quotes from a conference paper by Alan Hedge and colleagues suggesting that man-made mineral fibres are a cause of sick building syndrome ("The answer might just be blowing in the wind", September 8). I have serious reservations about the paper's conclusions.

The most serious concerns the sampling methodology for determining man-made mineral fibre exposure, and the statistical methodology. I question the use of settled, rather than airborne, dust measurement. I also believe the analytical technique for assessing the fibre concentrations was such that the numbers of organic fibres were not measured. Yet the majority of airborne fibres are usually organic, from paper, carpets, furnishings, etc.

The entire statistical conclusion of a significant effect of exposure to man-made mineral fibres is based on just one exceptionally high measurement of only one office site. An alternative, proper statistical analysis shows no statistically significant association between sick building syndrome findings and the amount of settled man-made mineral fibre dust. It can even be inferred from this study that sick building syndrome findings may be caused by the cleaning policy in a particular office park.

In brief, this paper provides no supportable information for or against the suggestion that man-made mineral fibres released from ceiling tiles can cause sick building syndrome. The conclusion that the fibres can cause the syndrome conflicts with a larger recent Health and Safety Executive study which did not implicate man-made mineral fibres.

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Sterling struggle suggests 'game is up' again

From Mr Bill Orchard.

Sir, As the government struggles daily to maintain the existing parity of sterling against the D-Mark one may recall J M Keynes's warning to the prime minister, Ramsay MacDonald, in August 1931 when unemployment was approaching 3m and sterling was under pressure:

"It is now nearly certain that we shall go off the existing parity at no distant date. When doubts as to the prosperity of a currency such as now exist about sterling have come into existence, the game is up."

In less than two months Britain left the Gold Standard and sterling depreciated quickly and sharply against the German mark.

Will the present government's resolve be allowed to last as long?

Bill Orchard,
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Body Shop environmental initiatives defended

From Dr David Wheeler.

Sir, the Body Shop simply cannot win. It was the first company to produce an independently verified environmental statement in line with the proposed European Community eco-audit regulation. It is the only company to campaign publicly for mandatory comprehensive environmental audits for industry. It is one of only a handful of companies genuinely trying to move from conventional principles of environmental management towards real sustainable development – recently announcing its intention to go energy self-sufficient using renewable sources only.

And yet the Financial Times uses the Body Shop's recently published Green Book as a convenient peg on which to hang some pretty obvious arguments about the need for independent, objective scrutiny of companies' environmental performance ("Style without substance", September 16). Rather than homing in on any number of "green gloss" efforts which have been published by major companies in recent months, the Financial Times chooses one of the very few *absolutely* honest statements to make its case.

This is a cheap shot, and one which does no credit either to the reputation of financial journalism or to the arguments which are being made. If the Financial Times had taken the trouble to consult those in the environmental profession or in environmental journalism who are familiar with the substance behind the Body Shop's environmental initiatives a different story would have emerged.

At the very moment when the UK government is preparing further to dilute the European eco-audit regulation, the Financial Times has handed industry the perfect argument for avoiding mandatory auditing altogether. If the Body Shop, with its reputation and record, gets cheap commentary for producing independently vetted environmental statements, what hope is there for anyone else?

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FINANCIAL TIMES
Thursday September 17 1992

President's disclosure could sway voters in French referendum

Mitterrand plays down cancer

By William Dawkins in Paris

FRENCH President François Mitterrand is suffering from prostate cancer. His doctors said yesterday it was not dangerous, but the announcement sparked fresh speculation about the 75-year-old president's political future.

The Elysée palace said Mr Mitterrand was in no danger and would be able to carry out his full presidential duties as normal. *Yesterday afternoon he left* Cochin hospital in Paris, where he underwent surgery last week.

Mr Mitterrand said he saw no reason to resign. "I don't think that they gave me a lobotomy", he joked.

He plans to vote in his former constituency, Château-Chinon in central France, in Sunday's referendum on European monetary and political union.

Political commentators speculated that Mr Mitterrand's condition might attract a sympathy vote in the closely-balanced weekend poll. However, it could also increase pressure on Mr Mitterrand to retire before his seven-year term ends in May 1995.

The medical bulletin sent equity prices on the Paris stock market down 1.7 per cent by mid-morning, but shares recovered to end the day up 1.29 per cent when it became clear that Mr Mitterrand was in no danger.

The president's decision to broadcast the details of his condition contrasts with the secrecy surrounding former President *Georges Pompidou, whose staff* revealed that he had cancer only a few days before he died in office in 1974.

Mr Michel Camdessus, managing director of the International Monetary Fund, yesterday appealed to French citizens to vote Yes on the Maastricht treaty out of economic self interest. "It is difficult to imagine how the French can abandon the advantages [of monetary union] when they have already paid the price for it in terms of budgetary and monetary rigour", he said in an interview to be published in today's Les Echos.

Several Parisian bank and security house economists warned that a No vote would create heavy pressure on the franc and force up interest rates.

Intense campaigning continued across France yesterday as politicians appealed to the large number of undecided voters – 29 per cent according to recent polls – who could swing the balance.

Opinion polls showed a small majority in favour of the treaty, within their own statistical margin of error, in samples taken over the weekend.

France and Maastricht, Page 3

Crisis point: Norman Lamont, UK chancellor of the exchequer, arriving yesterday for an emergency meeting as the threat of devaluation appeared to grow Photograph: Colin Beere

£ suspended from ERM

Continued from Page 1

still on its summer recess, will be recalled next Thursday to discuss the sterling crisis. The cabinet will decide today whether the recall will be for one day or more.

On the London stock market, once traders concluded devaluation was inevitable, the FT-SE 100 recovered from a 78-point loss to close 8.3 up at 2,378.3.

In his statement, Mr Lamont said: "Today has been an extremely difficult and turbulent day. Massive financial flows have continued to disrupt the functioning of the exchange rate mechanism. As chairman of the council of European finance ministers I have called a meeting of the monetary committee in Brussels urgently *tonight to consider how* stability can be restored to foreign exchange markets.

"In the meantime, the government has concluded that Britain's best interests are served by suspending our membership of the exchange rate mechanism. As a result, the second of the two interest rate increases that *I* sanctioned today will not take place tomorrow. The minimum lending rate will be at 12 per cent until conditions become calmer.

"I will be reporting to cabinet, discussing the situation with colleagues tomorrow and may make further statements then. but until then I have nothing further to say."

UK business fears another blow

By Our Industrial and Financial Staff

LEADING British industrialists reacted with dismay to yesterday's rise in interest rates and expressed fears that if it turned out to be more than a temporary measure it would deal a further blow to consumer demand and deepen the recession.

Before last night's suspension of sterling within the European exchange rate mechanism and the cancellation of the second – 3-point – rise yesterday in interest rates, most reluctantly accepted that the government had had little choice but to act as it did. "We need 15 per cent interest rates like we need a hole in the head," said Sir Michael Angus, president of the Confederation of British Industry. "But if it is a choice between that and devaluation, then I suppose it will have to be".

Some businessmen had *feared* continued pressure on sterling could make devaluation inevitable. A small minority, led by Sir Owen Green, chairman of BTR, the industrial conglomerate, argued that sterling should be taken out of the ERM entirely.

"These are war conditions. We have to know what we are fighting for. Is it a British pound or a D-Mark pound?" Sir Owen said. "If we start to devalue, all the precedents say we don't know what the rate should be. If we float, we know what the real value is for the British pound and call up the troops".

For most businesses, however, the most pressing concern was the outlook for demand. Some industry spokesmen argued that, almost regardless of what happened next, yesterday's events had inflicted a devastating blow to consumer demand.

"People will no longer be buying as of now. They will be stopped in their tracks", said Mr Neil Marshall, economist at the Retail Motor Industry Federation. He also warned that another round of *business bankruptcies* was inevitable.

Others argued that much would depend on how long interest rates remained at crisis levels, and whether they were passed through into mortgage rates. Several believed that it would be politically and economically impossible for the government hold current interest rates for more than a few weeks.

Several companies yesterday called on the government to take steps to revive the economy: Mr Ian McAllister, chairman of Ford of Britain, said action was needed to help the construction industry.

Mortgage lenders were aghast at the prospect of an unprecedentedly sharp increase in interest rates, but said the market was in such disarray that no decision about a new rate could be taken before next week.

There were widespread fears, however; that any tentative recovery in the housing market had been killed.

Mr Andrew Longhurst, chief executive of Cheltenham & Gloucester, the sixth largest building society, summed up the general view: "There is such turmoil going on that we cannot take any sensible view about the short, medium or longer term. This is potentially bad news for borrowers but when and to what extent one cannot yet foresee".

The rise in interest rates is especially painful for lenders since it comes at the lowest point in the fortunes of the housing market. "The mortgage market has been virtually dead all this month even before this," said the chief executive of one of the five largest building societies.

Mr Michael Jones, president of the National Association of Estate Agents, said the increases would kill stone dead an already faltering housing market. Mr David O'Brien, chief executive of National & Provincial, the seventh largest building society, said repossessions could rise dramatically if rates rose further.

If these borrowers are evicted, the market could be even further depressed by a flood of repossessed houses. The Association of British Insurers said that widespread increases in mortgage rates could mean that insurance companies which have provided mortgage indemnity policies could face further huge losses.

German interest rate deal

Continued from Page 1

sticking to its principle that realignments are still a policy option, since we do not have permanently fixed rates."

Mr Dieter Vogel, the German government spokesman, rejected speculation of further realignment, saying he was not aware of any other EC government considering such a solution.

Mr Ernst Moritz Lipp, chief economist at Dresdner Bank, said a further EMS realignment could be expected this week, with a further German rate cut.

Mr Remsperger said it might be best if European currencies floated against each other.

Speculation continued to rage about an interview given by Mr Schlesinger to Handelsblatt, the German business newspaper.

A summary published yesterday, suggesting that he thought a more comprehensive realignment would have reduced pressures in the market more successfully and that further currencies would come under pressure, was denounced by the bank as "unauthorised".

A spokesman said that Mr Schlesinger had neither said it, nor intended to say it. "The words were put *to him*, and he did not answer them."

Europe's market turmoil

Continued from Page 1

climbed towards 30 per cent. The stock market, however, rallied on expectations of an imminent devaluation of sterling and prospects for German interest rate cuts. In New York trading, the *pound was quoted below DM2.73*, compared with its official floor of DM 2.7780.

- In Stockholm, the Swedish central bank raised marginal lending rates to banks from 75 per cent to 500 per cent, in a bid to squeeze out speculators against the krona. The krona is outside the ERM, but tied to the European currency unit.
- In Rome, the government was in meetings with the Bank of Italy, as the lira fell through its permitted floor against the D-Mark.
- In Madrid, economic policy-makers expected a sharp rise in interest rates from 13 per cent.
- *Efforts to ease the pressure* were seen in countries with the strong ERM currencies. In Frankfurt, the Bundesbank intervened in the money markets to nudge domestic interest rates lower, and rumours circulated that a further move was likely today. Belgium and the Netherlands announced one-quarter cuts in interest rates.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	18	64	Frankfurt	C	17	63	Majorca	S	28	82	Oporto	F	22	72	Tenerife	S	27	81
				Brussels	F	17	63	Geneva	S	21	70	Malaga	C	23	73	Oslo	S	15	59	Tokyo	S	28	82
				Budapest	S	25	77	Gibraltar	[illegible]	23	73	Malta	F	29	84	Paris	S	19	66	Toronto †	F	20	68
Ajaccio	S	26	79	Buenos Aires	F	13	55	Glasgow	C	14	57	Manila	C	31	88	Prague	C	17	63	Tunis	F	29	84
Algiers	S	29	84	Cairo	S	29	84	Helsinki	S	14	57	Melbourne		–	–	Reykjavik	C	8	46	Valencia	C	26	79
Amsterdam	C	17	63	Cape Town	F	21	70	Hong Kong	C	31	88	Mexico City	C	23	73	Rhodes	S	28	82	Venice	S	25	77
Athens	S	29	84	Caracas		–	–	Innsbruck	[illegible]	21	70	Miami †	S	26	79	Rio de Janeiro	R	28	82	Vienna	S	25	77
Bahrain	S	34	93	Casablanca †	S	31	88	Inverness	S	13	55	Milan	S	25	77	Rome	S	26	79	Warsaw	[illegible]	16	61
Bangkok	F	34	93	Chicago †	[illegible]	21	70	Islamabad	C	22	72	Montreal †	S	16	61	Salzburg	S	21	70	Washington †	S	17	63
Barcelona	C	25	77	Cologne	C	18	64	Istanbul	F	24	75	Moscow	C	14	57	S'Francisco †	F	12	54	Zurich	S	20	68
Beijing	S	23	73	Copenhagen	C	15	59	Jakarta	C	31	88	Munich	[illegible]	21	70	Seoul	F	24	75				
Beirut	S	28	82	Corfu	S	29	84	Johannesburg	F	30	86	Nairobi		–	–	Singapore	F	29	84				
Belfast	C	13	55	Dallas †	S	19	66	Lisbon	S	25	77	Naples	S	29	84	Stockholm	F	16	61				
Belgrade	S	23	73	Dublin	S	15	59	London	S	18	64	Nassau	C	31	88	Strasbourg	S	22	72				
Berlin	[illegible]	17	63	Dubrovnik		–	–	Los Angeles †	F	17	63	New Delhi	F	27	81	Sydney		–	–				
Biarritz	S	27	81	Edinburgh	F	13	55	Luxembourg	[illegible]	16	61	New York †	S	21	70	Taipei	F	34	93				
Bombay	F	30	86	Faro	S	27	81	Madeira	S	24	75	Nice	S	25	77	Tangier	S	31	88				
Bordeaux		–	–	Florence	S	29	84	Madrid	S	30	86	Nicosia	S	29	84	Tel Aviv	S	30	86				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Day of reckoning

It was clear yesterday that the equity market was starting to discount a devaluation, and the government duly obliged. Higher share prices only made sense in a context in which the interest rate rise was not sustained, and sterling took it on the chin. Once the initial two point rise had clearly failed to calm sterling, the equity market was quick to see that a further increase was not a tenable solution unless the government intended to engineer a slump. After £9bn had been spent in intervention yesterday alone, a more radical solution was inevitable.

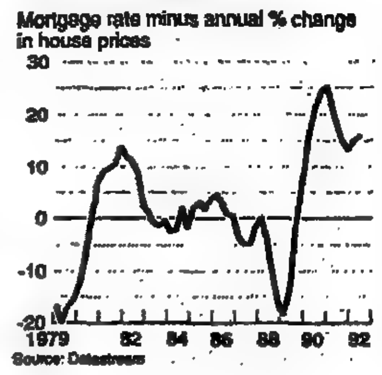
The trouble is that a modest devaluation after a period of suspension in the EMS – of, say, up to 10 per cent – will on its own hardly be enough to allow base rates to return to earlier levels. The risk will be of ending up with the worst of both worlds in which the government's anti-inflation strategy has been undermined and there is still no prospect of real recovery.

Equities would be a buy if the government's decision last night had left interest rates much lower, with a promise to allow sterling to find its own level. If financial markets had expected that yesterday, they would have been selling gilts hand over fist. Instead the assumption was that the Bundesbank would weigh in, this time with a more substantial interest cut.

To do so could yet make sense in the context of its domestic policy. The Bundesbank can scarcely relish the thought of German money supply being *swollen by further costly* intervention. But its willingness to reduce rates will almost certainly also depend on the size of any ultimate realignment and how many currencies are involved. The irony is that the more its partners devalue, the harder it will be for Germany to generate export-led growth. As the German slowdown *gathers pace, fickle currency dealers* could easily desert the D-Mark for the safer haven of the US dollar.

FT-SE Index: 2378.3 (+8.3)

Real mortgage rate



UK gilts

Given the constant pressure on sterling yesterday, the resilience of the gilt market was a little surprising. True, the yield spread which long gilts offer over German government bonds had already moved out from some 150 basis points to around 200, offering a little support to international buyers of gilts. If they stopped to think of it, traders might have observed that intervening to buy several billion pounds a day helps reduce the government's funding requirement, and so cuts the prospective supply of gilts. Perhaps there was even a slight expectation that the chancellor would avoid a devaluation, in which case with double-digit real interest rates crushing inflation, gilts would be an outstanding buy.

None of this can disguise the longer term problems which beset the market. However tough this autumn's public spending round, the weakness of the economy means that the PSBR may be around £40bn next year, and is unlikely to fall quickly thereafter. That is not a happy position for gilts given the persistent weakness of sterling and the hope that foreign investors will help fund the deficit. High domestic savings may finance gilt sales until the economy turns, but other funds will eventually be needed. And while there is no rigid link between gilt supply and yields, heavy issuance is hardly a bull point for the market.

Builders/property

Hard as the blow finally fell, the stock market was at least partly braced for a sudden interest rate rise. Those investors who were betting that the move hastened a sterling devaluation – and who were tentatively buying building stocks yesterday on the back of it – might ponder the dazed state of most homeowners and prospective housebuyers as they digested the news last night. Confidence in the housing market was already fragile. Unless interest policy is wholly reversed, housing transactions in the next six months could completely dry up. Volume housebuilders, after all, *were already starting to panic* with the main selling season behind them: imagine the price deals they would have to cook up to meet their year end targets if rates were not to fall again.

If the blow to confidence has made the short term outlook even bleaker than before, there can be no guarantee that a different exchange rate policy would offer sure relief in the medium term. There remains a structural problem in the property market. On the demand side, individuals and companies are weighed down by debts accumulated in the heady days of asset inflation in the late 1980s. On the supply side, house repossessions may be flattening out, but the number of building society customers in arrears of more than 6 and 12 months has been rising ominously.

Much the same sort of shadow overhangs the commercial property market, where hopes are no doubt pinned on a resurgence of inflation. Property was much in vogue as a hedge in the second half of the 1970s, but it is worth remembering that in those days UK investors were shackled by exchange controls and there was nowhere else to go.

Racal

A visitor from Mars might wonder what was the point of the Racal/Chubb demerger. Given that Racal expects both the separated companies to trade on a similar rating, the deal will not unleash the value of a wildly undervalued asset. Indeed, the inevitable duplication of some head office functions means that separation may not release any value at all. It may have been that when the plan was originally hatched Chubb's assets were undervalued, but Racal shares have risen since then, reflecting better management of Chubb and the prospects *for Racal's recovery. The deal, and its* associated costs, is in the price.

But since the company is set on its course, investors must assess the companies separately. Both have managed improvements in cash flow through control of working capital, but there are worries about how hard Racal can squeeze, and the stronger company is *clearly Chubb. In the longer term,* Racal Electronics' dependence on defence and low-margin communications business is also likely to depress its rating. Chubb may no longer be the target for cheap acquisition specialists that it was, but it is still attractive. Investors must be tempted to take the Chubb share and run.

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday September 17 1992

INSIDE

Tokyo to lose five foreign listings

Five international companies, including General Motors, Philips Electronics and News Corporation, formally applied for delisting from the Tokyo Stock Exchange yesterday. The five companies said a Tokyo listing was too costly to maintain and trading in their shares has fallen over the past two years. Page 22

Federal Express falls 29%

Federal Express, the largest overnight delivery company, reported a 29 per cent profits fall in its first quarter. In the three months to end-August, Federal Express made $12.25m after tax, compared with $17.2m a year earlier. Page 23

Shock for Alcoa in CIS

Environmental conditions in aluminium smelters in the Commonwealth of Independent States were so bad that the average life expectancy of its workforce was only 47 years, said Mr Paul O'Neill, Alcoa's chairman yesterday. "There is no way we could be part of that," he said. An Alcoa team was also impressed by the level of education throughout the CIS smelter workforces. Page 32

Currency mayhem hits turnover

There was an overall 24 per cent fall in turnover in European markets during August, but that masks the fact that trading was at times extremely volatile, and that rising mayhem in currencies reflected itself in equity markets. Back Page

Bluebird back in the black

Bluebird Toys, the UK toymaker that produces the Jumbo Fun Plane (above), returned to the black with pre-tax profits of £234,000 ($430,000) in the six months to June 30. Page 27

Bata takes a toehold

Bata, the large shoe producer and retailer, is returning to Poland to establish a network of retail sales outlets. Bata is the first western "high street" retailer to come to Poland, which has nearly 40m consumers. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
AG Ind & Verk	433	−	12
Asko Prf	410	−	15
Fag Kugelfischr	183	−	6
Hochtief	965	−	25
Lahmeyer	380	−	35
Schwalbach Lub	348	−	15
NEW YORK ($)			
Rises			
Atlantic Richfld	119¾	+	2⅞
Genl Dynamics	79¾	+	1¼
Mobil	64⅞	+	⅞
Falls			
Amer T & T	44⅛	−	½
Exxon	63¾	−	⅜
Intl Business Mch	82⅞	−	2⅝
PARIS (FFr)			
Rises			
Accor	585	+	32
BSN	1026	+	[illegible]
Cr Fonc France	858	+	43
Falls			
Euro RSCG	567	−	23
Fonc Lyonnaise	556	−	29
GTM-Entrepose	375	−	12.5
TOKYO (Yen)			
Rises			
Hisamitsu Pharm	800	+	80
Michitsu	658	+	53
Nitto Seimo	800	+	63
Falls			
Katakura Inds	1000	−	100
Orix	2080	−	[illegible]
Tokyo Theatres	340	−	30
LONDON (Pence)			
Rises			
BAT Inds	788	+	24
Coats Viyella	173	+	11
Enterprise Oil	365	+	29
Fisons	175	+	9
Glaxo	799	+	23
Grand Met	409	+	17
Usher-Walker	105	+	20
Falls			
Barratt Dev	38	−	6
Blue Circle	130	−	9
Body Shop	158	−	108
British Land	116	−	17
Calor	184	−	12
Cook (Wm)	142	−	11
Cowie (T)	113	−	15
Creighton	[illegible]	−	35
Dixons	187	−	15
Granby	139	−	13
Ladbroke	140	−	14
Lex Service	[illegible]	−	11
NatWest Bank	306	−	22
P & O Defd	311	−	27
Proteus	298	−	35
Royal Insce	128	−	11
Stag Furniture	78	−	8
Unigate	193	−	17

Lufthansa may bid for Continental

By Paul Betts in London, David Waller in Frankfurt, Martin Dickson and Nikki Tait in New York

THE NORTH Atlantic battle between the big European and US carriers was stepped up yesterday with the announcement that Lufthansa, the German national carrier, had filed a proposal to acquire a majority stake in Continental Airlines, the bankrupt US airline.

The proposal, which is being made jointly with Mr Marvin Davis, the Californian financier, envisages that Lufthansa/Davis would invest $100m cash for a majority stake in Continental as part of the airline's plan to reorganise and move out of bankruptcy.

The investors would also arrange for the placement of $300m of debt securities in the US carrier – giving Continental an overall $400m capital injection. Continental creditors, meanwhile, would be offered a minority interest in the airline.

The Lufthansa proposal is the latest in a series of proposed deals designed to forge links between troubled US carriers and European airlines.

Northwest Airlines and KLM are seeking to integrate their operations, while British Airways wants to invest $750m for a 44 per cent stake in USAir – a deal fiercely opposed by the big US carriers. In both cases, a decision by the US Department of Transportation is pending.

Yesterday, Mr Andrew Card, the US Transportation Secretary, said that approval for British Airways' proposed investment in USAir could be affected by the bilateral aviation arrangements between the two countries. The current bilateral agreement was restrictive, and the "very antithesis" of the recent "open skies" agreement signed with the Dutch government, he said.

Lufthansa said the Continental move was part of its strategy to strengthen its transatlantic services by forging an alliance with a US partner. Lufthansa now operates 100 weekly connections from Germany to 12 US destinations.

Although Lufthansa is restructuring to stem heavy operating losses, it said: "We must not forget our strategy just because of our financial position."

Mr Jürgen Weber, chairman, expects the airline's operating loss to rise to DM1.2bn ($800m) this year from a loss of DM800m last year.

Texas-based Continental Airlines, the fifth largest US carrier, is considering three other bid proposals.

Yesterday's submission should allow Lufthansa and Mr Davis access to more information about Continental so they could decide whether to proceed further.

BA's global ambitions, Page 18

Body Shop shares fall 40% on profit warning

By John Thornhill in London

ANITA and Gordon Roddick, the founders of Body Shop International, yesterday saw the value of their personal shareholding fall by £56m ($110m) as the natural cosmetic company's shares dropped 40 per cent following a profits warning.

The company, which until now had been one of the few UK retailers to have defied the recession, said lower than expected UK sales since June would hit profits for the six months to end-August.

Although international trading profits had increased substantially, Body Shop forecast that group pre-tax profits would fall to "not less than £8m" compared with the £9.1m achieved the year before. The interim dividend would remain unchanged at 0.68p, the company said.

The London stock market reacted savagely whittling away the company's premium rating and marking Body Shop's shares down 108p to 158p.

Mr Gordon Roddick, Body Shop's chairman, said: "I think it is a huge over-reaction. If you look at our underlying business there is nothing strange. There is nothing odd going on with borrowings or capital expenditure or anything else."

Mr Roddick said UK profits had been affected by the continuing recession, a dispute with one of the company's franchisees which had led to the temporary closure of six profitable stores, and the expenses associated with the relocation of its Cos-Tec manufacturing subsidiary.

But he added that the recession could well last longer than anyone had previously expected.

Analysts suggested Body Shop's UK same-store sales had declined 3 per cent to 5 per cent during the past three months. One speculated "some of Body Shop's unique appeal may also have been diluted recently by the bigger retailers becoming more environmentally-friendly and the fact that its products are not cheap".

Boots has had success with its own-label range of Natural Collection products and supermarket groups, such as J. Sainsbury, Tesco and Safeway, have also earmarked the personal care sector for growth. Mr Roddick dismissed such suggestions as "absolute rubbish". "You only have to look at the customers in Boots to know that they are not the same as ours."

The company will release its interim figures in mid-October.

Market report, Page 33

Roddicks in a tough environment

John Thornhill analyses why the 'pinstriped dinosaurs' of the City took the shine off the shares in the quirky natural cosmetics group

Body Shop International has always had a highly ambivalent attitude towards the pleasures and pains of being a public company.

The quirky natural cosmetics group, which was first floated on the UK's Unlisted Securities Market eight years ago, has conspicuously enjoyed the glory of having one of the highest ratings in the retail sector.

But this has never stopped Mrs Anita Roddick, the group's founder and managing director, from professing that finance "bored the pants off her" and periodically denouncing the "pinstriped dinosaurs in Throgmorton Street" for their short-sighted obsession with profits above people.

Yesterday, however, the dinosaurs bit back with a vengeance. The announcement that Body Shop's interim profits were likely to fall by 12 per cent to not less than £8m ($15m) drove the company's shares down 41 per cent to close at 158p.

One retail analyst predicted Body Shop's share price would continue to be unstable for some weeks ahead as US investors, who had been big backers of the stock, were likely to dump it in disillusionment.

But others argued the sharp reappraisal of Body Shop's share rating – although appearing highly alarming – was little more than a natural readjustment to realistic expectations.

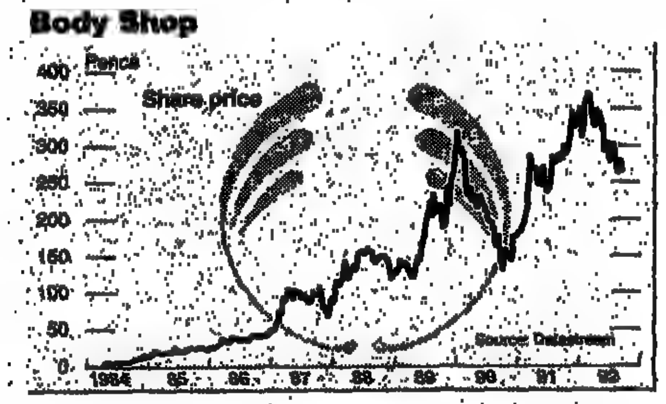
According to the forecasts of the Nomura Research Institute, Body Shop was trading on a high prospective multiple of 26 before yesterday's fall and a more realistic 19 after it, close to the stores sector's rating.

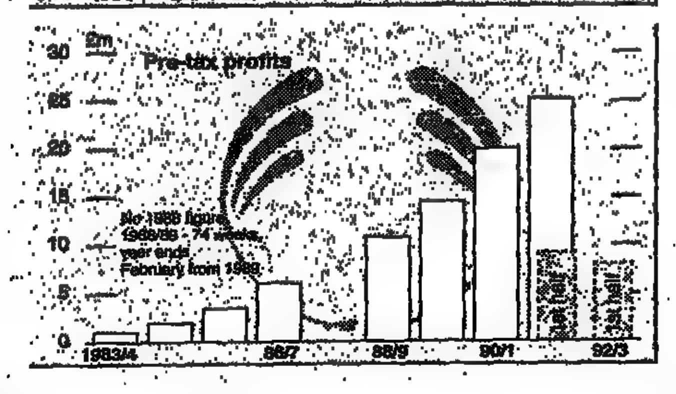
Body Shop was floated in 1984 at a time when "the City was positively orgasmic about the whole niche-market concept", according to Mrs Roddick. The share price, allowing for share splits, rose from just over 5p in 1984 to 370p this February.

The seemingly ubiquitous Mrs Roddick energetically projected the image of an environmentally concerned company selling jolly good soaps and peppermint foot lotions.

Ashley Ashwood

Anita Roddick, who said 'finance bored the pants off her' with husband Gordon





But below the surface, Body Shop created a relatively solid management team which avoided many of the financial excesses that characterised its more reckless rivals.

A group of professional managers – many of them drawn from the ranks of the big multi-nationals which the company publicly professed so much to disdain – ensured that Body Shop was able to show greater staying power than other niche retailers in tough times.

In the last financial year to February, Body Shop pre-tax profits rose 26 per cent to £25.2m when most other UK retailers were bleeding badly. By the year-end Body Shop had built up a network of 727 stores in 41 countries and continued to open stores at a rate of one every 2½ days.

Body Shop was able to expand so fast largely by means of franchising. This enabled the company to open outlets without incurring huge capital commitments – although gearing stood at 43 per cent at the end of last year.

But the obverse side of expanding by franchising became painfully apparent earlier this year when Body Shop had to resort to the law courts to regain control of six UK branches which it alleged had fallen into a "deplorable condition". The disruption to sales was one of the reasons the company cited yesterday for its likely profits fall.

There are worries over Body Shop's pricing policy and the growing power of rival retailers in the company's core markets. But it is almost certainly too early for the City dinosaurs to begin writing the Roddicks' epitaph as they have done for the founders of so many other 1980s retail glamour stocks such as Sock Shop and Tie Rack.

The volatile relationship between company and City is likely to continue. A taste of the mood to come was perhaps expressed by one City analyst who said the profits' fall was little surprise to him because the company had refused to return his phone calls for a month – "no doubt because they were communing with their karma".

"But," he added somewhat cruelly, "it now appears their dogma has been run over by their karma."

Gota suspends payments on debt

By Sara Webb in Stockholm

GOTA, the Swedish holding company which owns Gota Bank, Sweden's fourth largest commercial bank, said yesterday it had suspended all payments to creditors because of funding problems.

Gota's liabilities amount to about SKr3.5bn ($632m), including short-term and medium-term borrowings from domestic industrial, institutional and private investors. The holding company said it would begin negotiations with investors today to see whether it can repay part of the debt.

The activities of Gota's subsidiary – Gota Bank – are not affected by yesterday's announcement.

Gota Bank last week announced a dramatic deterioration in its financial situation, warning that credit losses for 1992 would reach SKr8bn – or double its earlier projections.

The bank said it would run up an operating loss of between SKr3bn and SKr4bn this year. Sweden's centre-right government promised to support Gota Bank saying it would take the necessary steps to ensure the stability of the Swedish financial system.

The government yesterday repeated its pledge to guarantee Gota Bank's commitments to private individuals, businesses and all other creditors and counterparties.

These liabilities are estimated to amount to between SKr65bn and SKr70bn.

The Riksbank, Sweden's central bank, said yesterday it would continue normal dealings with Gota Bank on both the interbank and securities markets, adding that it "intends to give Gota Bank access to the liquidity it requires".

However, the government has said it will not guarantee the obligations of Gota, the holding company which owns Gota Bank.

Mr Per Lundberg, managing director of Gota Bank, said the holding company had borrowings of about SKr3.5bn, of which SKr1bn was in commercial paper certificates and the remainder in loans and subordinated debt.

Most of the funds came from Swedish companies, municipalities and individual investors.

The government is discussing plans to save Gota Bank with Trygg Hansa SPP and Gota Bank's management and expects a solution in a few weeks.

GPA defers purchase of 154 Boeings

By Roland Rudd in London

GPA Group, the aircraft leasing company, has agreed in principle with Boeing to defer delivery of up to 154 aircraft worth $5bn for up to three years.

The agreement, which still has to be finalised, would give the group an important breathing space in the aftermath of its aborted $800m flotation.

Mr Jim King, GPA's vice chairman, said the agreement was subject to a number of conditions which include completion of the group's equity raising plans. It has recently unveiled a plan to raise $350m in a convertible preference share issue.

GPA has also reached agreements in principle with aircraft manufacturers to receive $650m from them over the next 18 months. The funding would be in the form of loans to help the group lease aircraft in difficult new markets and the return to GPA of some pre-delivery payments for aircraft it had ordered.

The tentative agreement with Boeing should help reassure investors. However, it is clear from yesterday's announcement that Boeing expects GPA's existing shareholders to show their support for the group first.

GPA said the agreements were dependent on each other and Boeing and its institutional shareholders wanted to be sure both sides were being supportive. If the deal goes ahead GPA's firm orders will be cut by $1.5bn in both 1993 and 1994. It has agreed to buy $12bn of aircraft by the end of the decade.

The importance of the deal for GPA is underlined by the fact that GPA would not have to cancel orders. Cancellation would result in it losing its $353.8m of aircraft pre-delivery payments. Boeing would not comment on whether the group would pay a penalty for the deferral.

GPA is currently locked in negotiations with other aircraft manufacturers, including Airbus, Boeing and McDonnell Douglas, to reach similar agreements.

Mr King said the deal was aimed at countering the negative perception of the scale of GPA's financing and marketing challenge. "This will ensure that our firm commitments are appropriate to our available capital and our view of market demand."

Boeing said the agreement would not have any effect on its production rates. It had already announced it was reducing monthly production of its 737 aircraft from 21 to 14 this autumn.

INTERNATIONAL COMPANIES AND FINANCE

Bata becomes first western high street retailer in Poland

By Christopher Bobinski in Warsaw

BATA, one of the world's largest shoe producers and retailers, is returning to Poland to establish a network of retail sales outlets. The move follows the company's return last year to Czechoslovakia, where it was founded in 1894.

Bata is planning to open some 30 shops in Poland over the next few years and intends to purchase some stock from the country's depressed shoe industry. This year Bata has already opened 40 shops in Czechoslovakia and bought one medium-sized shoe producer.

Bata is the first western "high street" retailer to come to Poland, where trade remains largely in the hands of small private companies, catering for the country's nearly 40m consumers.

The Bata Shoe Organisation – the holding company for the group, which has its headquarters in Toronto – will operate in Poland through Compar Bata, its Italian subsidiary, in a joint venture with Intercam, a privately-owned Polish company.

Intercam, founded in 1988, is also involved in joint ventures with DHL, the international freight forwarding group, and Ogilvy Mather, the international advertising company.

Bata was nationalised by the Communist Czechoslovak government after the second world war. The company had 300 shops in Poland and owned two factories on what is now Polish territory.

Mr Thomas G Bata, the company's managing director, says it will not be applying for their restitution, nor does he have any immediate plans for the purchase of existing plants.

Shoe output in Poland has slumped from 98.2m pairs in 1990 to 66.9m pairs in 1991. The decline is continuing this year with a further 28.6 per cent drop in output.

Groupe Bruxelles Lambert will not block Dutch bid for BBL stake

By Andrew Hill in Brussels

GROUPE Bruxelles Lambert (GBL), the Belgian holding company, said yesterday it would not block the purchase of a 6.72 per cent stake in Banque Bruxelles Lambert (BBL) by Internationale Nederlanden Groep (ING), the Dutch banking and insurance group.

ING announced a week ago it wanted to buy the stake from Unipar and SBH Investments of Italy as a first step towards a full BFr63.6bn ($2.07bn) bid for BBL, Belgium's second largest bank.

Mr Jacques Thierry, BBL's chairman, yesterday voiced the strong support of the bank's management for a deal. He said four smaller shareholders had already renounced their right to buy. Banque Internationale à Luxembourg (BIL) – which owns 5.7 per cent of BBL and is widely held to be a GBL ally – has indicated it, too, is likely to sell out if ING makes an offer. He told shareholders at a special meeting, set up before last week's announcement, that a merger would transform BBL into "a bank with a European vocation".

GBL owns a direct stake in BBL of 13 per cent and indirectly controls a further 11 per cent. The group is also head of a BBL shareholder syndicate. However, it told the bank's directors yesterday that it would not exercise its priority right to buy the Italian stake.

GBL was never likely to step in at this stage, because an increase in its own stake would trigger a full bid. But GBL directors indicated that the suggested offer price of BFr3,600 is too low and GBL delegates on the BBL board could still oppose the offer.

Mr Theo Peeters, BBL's president, said the decision meant ING might be able to launch its bid as early as October 10. Shareholders in the syndicate must first decide whether to buy the Italian-owned shares. ING, which already owns 10 per cent of the Belgian bank, has also made its offer conditional on an examination of the BBL accounts.

Racal details terms of Chubb demerger

By Richard Gourlay in London

RACAL Electronics yesterday announced the terms of the demerger of Chubb, its security subsidiary, which will complete an unbundling of the group by its chairman, Sir Ernest Harrison, which began with the flotation of Vodafone.

Chubb's shares and Racal's shares, after a one-for-five share consolidation, will begin trading officially on October 5 if shareholders approve.

Sir Ernest said the demerger continued the process of gaining "appropriate stock market recognition for the component businesses" within Racal.

While the unbundling of Vodafone benefited Racal shareholders – their 80 per cent of Vodafone is now worth about £2.3bn ($4.5bn) and Racal has a market capitalisation of more than £900m – the merits of demerging Chubb are less immediately obvious.

Sir Ernest said yesterday his advisers expected little difference in market ratings of Chubb and Racal after the demerger. The added value would come from benefits from standing alone and from a premium that would develop as a result of bid speculation.

"There will be two bid premiums instead of one," said Mr David Elsbury, chief executive of Racal Electronics.

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Belgian metals group back in profit

By Andrew Hill in Brussels

DRASTIC restructuring of Union Minière's operations has helped the Belgian non-ferrous metals group back into profit for the first half of 1992.

But a BFr1bn ($34m) extraordinary loss on the sale of the group's stake in Hessenatie, its freight handling subsidiary, dragged the overall interim result into the red.

The group, 82 per cent of which is owned by the holding company Societé Générale de Belgique, made a profit of BFr416m before tax and extraordinary items, compared with a loss of BFr1.32bn in the six months to June 30 1991.

The company forecast that it would break even for the full year, assuming there was no further deterioration in the economic situation.

Operating profit rose from BFr4m to BFr394m in the first half. The company attributed this increase to the BFr2.4bn rationalisation programme announced last December, and increases in margins on some raw materials.

After tax and extraordinary charges of BFr1.49bn, the group share of first-half losses was BFr1.39bn, compared with losses of BFr1.33bn last year.

Turnover rose from BFr59.5bn to BFr66bn in the first six months of the year.

Schindler lifts revenues 6.6%

SCHINDLER, the Swiss elevator and rolling stock group, said its consolidated revenues rose 6.6 per cent in the first half to SFr2.1bn, ($1.68bn) and forecast that net profit for the full year would be the same or only slightly higher than last year's depressed SFr87.3m, writes Ian Rodger.

Sales of elevators and escalators rose 7.7 per cent to SFr1.9bn while sales of rolling stock declined 7.4 per cent to SFr138m. The group's order backlog at June 30 remained at SFr3.1bn, unchanged from the end of last year.

Tokyo to lose five international listings

By Robert Thomson in Tokyo

THE Tokyo Stock Exchange (TSE) suffered a serious loss of face yesterday when five international companies, including General Motors, Philips Electronics and News Corporation, formally applied for delisting from the exchange.

Each of the five companies said a Tokyo listing was too costly to maintain, and complained that trading in their shares, and those of most foreign companies, has fallen over the past two years.

The announcements by GM, Philips, News Corp, Avon Products, the US cosmetics and toiletries manufacturer, and FPL Group, the Florida-based utility, dismayed TSE officials, who hoped more foreign companies would consider a Tokyo listing to be necessary to their international profile.

"It's very disappointing. We are not sure whether other foreign companies will delist. We know that some new companies are interested in listing," said Mr Tsutomu Hirabayashi, director of the TSE's office of listing supervision.

The TSE fears that the delisting of such high profile companies will prompt some of the other 119 listed foreign companies to withdraw. Japanese brokers said they were aware of several companies considering an application.

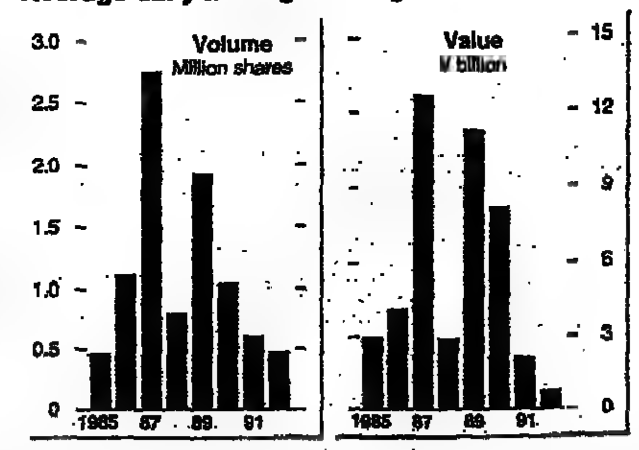
GM criticised the cost of maintaining a Tokyo presence, and said the delisting, to take effect at the end of this year, was part of a cost-cutting campaign and "a result of the very low interest in GM stock" in Tokyo.

"The extraordinary administrative burdens and costs associated with the TSE listing are due primarily to the unique form of reports to be filed under Japanese law and the necessity for preparation of annual reports, quarterly reports and proxy material," GM said.

Mr Paul Mandry, assistant general counsel for Avon, said the annual cost of the Tokyo listing was about $150,000, though the initial annual cost to the company had been nearer $500,000.

"This decision is one of a number of cost-cutting measures that Avon has implemented," he said. Avon also had no plans to raise funds in Tokyo in the near future and did not expect its trading volume to rise.

Average daily trading in foreign stocks in Tokyo



Several of the companies complained of the costs involved in translating documents into Japanese and presenting reports according to Japanese Ministry of Finance specifications, even though their local disclosure requirements are more stringent.

However, the collapse of Tokyo stock prices and the resulting decline of investor interest in foreign issues is the most important cause of the delistings. The total of foreign shares traded in Tokyo peaked in 1987 with an average of 2.76m shares traded each day. Daily volume this year is down to an average 475,000 shares.

The five companies have also reported a sharp decline in their local shareholders. In GM's case, the number has almost halved since the 3,521 of 1987, and the company said yesterday that the remainder account for 0.02 per cent of all its shareholders.

Trading of foreign stocks was permitted in Tokyo in 1973 and, apart from tapping the Tokyo market for finance, companies presumed that a listing would heighten awareness of their products in Japan.

The announcements are also a setback for Japanese brokers, which hoped to arrange the listings of foreign companies.

Rémy chairman warns of lower than forecast profits

By Alice Rawsthorn in Paris

THE TURBULENCE in the French drinks industry continued yesterday with Rémy-Cointreau, a leading wine and spirits producer, warning on profits, and reports that LVMH, one of the largest players in French drinks, had secretly bought a stake in Grand Marnier liqueur.

Rémy, which has interests in wines and spirits including Cointreau liqueur, had originally been expected to make net profits of about FFr313m ($65.07m) for the present financial year to March 30, an increase of 15 per cent on the FFr271m in the previous year.

However, Mr André Hériard Dubreuil, Rémy chairman, warned shareholders at yesterday's annual general meeting that final profits may fall short of those originally forecast because of "the uncertain economic climate" and the falling US dollar.

Meanwhile, LVMH has refused to comment on a report in Les Echos, the French economic daily newspaper, that it has acquired a 7 per cent stake in Marnier-Lapostolle, the family-controlled company that owns Grand Marnier liqueur.

LVMH, which today announces its first-half results, said it was "up to Grand Marnier to comment on any changes in its shareholding".

LVMH, which distributes Grand Marnier in south-east Asia, is reported to have bought the 7 per cent holding from Marceau Investments, a French finance house.

Marnier-Lapostolle made net profits of FFr75.5m last year on sales of FFr601m, with its eponymous liqueur representing 80 per cent of total sales.

Chargeurs ahead at FFr712m

By Alice Rawsthorn

CHARGEURS, the French industrial group with interests in textiles and transport, saw net profits rise by 76 per cent from FFr404m to FFr712m ($148.02m) in the first half.

The group last year returned to recovery after two years of heavy losses in its wool textile and communications interests, which include a stake in BSkyB, the UK satellite television service.

Chargeurs has since restructured its activities, notably by selling its UTA airline interests to Air France.

Group turnover rose by 2.6 per cent from FFr5.29bn to FFr5.42bn in the first six months of 1992.

Operating profits rose 57 per cent from FFr203m to FFr319m. Earnings per share were 71 per cent higher at FFr114.8, from FFr67.1.

Strike deal clears way for Fiat

FIAT is pushing ahead with plans to take over Poland's state FSM car factory after the end of a two-month strike at the plant yesterday, Reuter reports from Warsaw.

The strike had put on hold a $2bn deal for the Italian car maker's subsidiary Fiat Auto to take over the plant in southern Poland that produces Fiat's Cinquecento minicar.

Mr Maciej Brzozowski, a Fiat spokesman, said the agreement had not been affected by the stoppage although production of more than 20,000 cars had been lost before strikers accepted a management pay offer yesterday.

INTERNATIONAL COMPANIES AND FINANCE

Nikon to cut 450 jobs to maintain profitability

By Steven Butler in Tokyo

NIKON, the Japanese camera and semiconductor manufacturing equipment maker, said yesterday it would cut 450 jobs from the company payroll over the next four years, bringing down the size of the workforce by 6 per cent to 7,000.

Nikon said it was forced to cut staff in order to maintain an adequate level of profitability, thus joining a growing list of mainstream Japanese manufacturing companies which have found that the fast pace of growth of recent years has left them dangerously exposed to the economic downturn.

Sales of Nikon's semiconductor manufacturing equipment have fallen sharply as electronics companies have responded to the slump in the industry by slashing investment budgets. Sales of cameras, eyeglasses, and measuring equipment are also poor.

The company plans to reduce recruitment by natural wastage. About 60 new employees will be inducted into the company next year, compared to 200 last spring. An average of 100 new employees a year are to join the company over the next four years. With about 200 employees leaving the company each year, total employment will decline gradually.

Nikon's parent company pre-tax profit fell by 62.4 per cent to Y7.23bn ($58m) in the year to March. Although the company has yet to revise its forecast for this year, it is thought to be struggling to stay in the black.

Lippo sells part of Bond Tower

BIE Development (International), the Hong Kong financial services arm of Lippo Group of Indonesia, has sold eight floors of Bond Tower, an office block in the colony's central business district, for HK$666m (US$86m) to Kwong Sang Hong International, a property company controlled by the Hong Kong merchant banking and investment group Peregrine Investments, AP-DJ reports from Hong Kong.

Asahi undecided on Foster's issue

ASAHI Breweries, Japan's second largest brewing group, yesterday said it has not decided yet whether to exercise its entitlement to a two-for-five rights issue announced by Melbourne-based Foster's Brewing, Reuter reports from Tokyo. Asahi holds a 19.99 per cent stake in Foster's. Foster's said on Tuesday the rights issue would raise about A$1bn (US$733m) and provide it with a platform for a higher credit rating.

Heinz seeks stake in Wattie Foods

By Terry Hall in Wellington and Nikki Tait in New York

Tony O'Reilly: looking for acquisitions worldwide

H J HEINZ, the large US foods group with extensive overseas operations, is holding talks with Australia's Goodman Fielder Wattie about the purchase of a strategic stake in Wattie Foods, the GFW subsidiary which is New Zealand's biggest producer of canned goods.

Wattie Foods became part of GFW through the merger of Australian-based Goodman Fielder and New Zealand's Wattie group in 1987.

Besides producing canned goods, Wattie Foods also manufactures a range of other products, including frozen food and ice cream.

The talks came to light when the New Zealand Commerce Commission revealed that Heinz has applied for clearance to buy up to 100 per cent of Wattie.

Yesterday in Pittsburgh, the US food group acknowledged that the application had been filed, although it said that matters were at a fairly preliminary stage.

Heinz declined to state whether it was aiming for an outright purchase of Wattie Foods or whether it would consider a smaller equity stake.

Only last month, Mr Tony O'Reilly, Heinz's chairman, said that his company was looking for acquisitions worldwide, but particularly in Asia.

The US company has a well-established subsidiary in Australia that produces a range of products from baby foods to baked beans, but it has no operations in New Zealand. About 40 per cent of Heinz's $6.5bn annual sales already come from outside the US.

GFW has been looking for a shareholder to buy around 25 to 50 per cent of the Wattie Foods subsidiary, in line with its plans to float the rest of the shares later this year.

Mr Michael Nugent, GFW chief executive, said in Wellington on Tuesday that directors wanted to find "strategic shareholders" to bolster the public float, which is expected to raise close to NZ$500m (US$280m).

GFW said yesterday talks with Heinz were proceeding, but no offer had been received. It added that Heinz was one of a number of parties interested in buying into Wattie.

GFW said: "We don't think anyone is close to making an offer."

It added that it had a "fairly inflexible" timetable for the float, with a prospectus due to be released in the middle of next month.

GFW intends to reinvest proceeds from the Wattie disposal in expanding its role in the Australian cereal business.

Dairy Farm International up 10% at halfway

By Simon Davies in Hong Kong

DAIRY Farm International, the food retailing arm of the Jardine Matheson group of Hong Kong, said net profits grew 10 per cent to US$59.9m for the six months to June.

Earnings were held back by significant losses from Spanish retailer Simago. The company's Hong Kong retail operations saw shrinking margins due to higher wages and rental rates, and with 561 stores now open, the market is reaching saturation level. However, Taiwan is expected to provide substantial growth. Dairy Farm has now opened 51 Wellcome and Mannings stores and the company predicted it would move into profit in the latter part of 1992.

The group's Australian retailer Franklins achieved increased profits and maintained market share in the face of a severe recession and fierce competition. The company plans to accelerate new store expansion in the second half.

Woolworths New Zealand, which was acquired in 1990, achieved significant profits growth and successfully increased its market share. Dairy Farm's 50 per cent owned Maxim's restaurant chain produced excellent results in Hong Kong.

The HK$1.25bn (US$162m) sale of a 51 per cent stake in Dairy Farm's manufacturing businesses in China and Hong Kong to Nestlé, the Swiss food group, which was announced in June, should lead to interest savings in the second half of the year. The company's 25 per cent owned associated Kwik Save continued to register growth in spite of the weak UK economy, with interim profits up 8 per cent.

Overall, most analysts expect a better performance in the second half of the year, aided by strong growth in Taiwan and New Zealand. The company also said profit margins had shown a slight improvement at Simago.

Turnover was 5 per cent higher at the interim stage at US$2.325bn and the company recommended a dividend of 1.48 cents, up from 1.35 cents.

Dominion Mining strongly back in profit

By Bruce Jacques in Sydney

DOMINION Mining, one of a crop of emerging Australian gold producers, has overcome lower gold prices to make a strong return to the black in the year to June.

The directors yesterday reported that the company had turned net losses of A$26.7m (US$19.54m) into A$18.1m profits on a 6.6 per cent rise in sales to A$265.8m from A$249.2m. The previous year was affected by an A$81.8m abnormal loss.

The annual dividend has been reduced to 4 cents a share from 4.5 cents.

The directors warned that an accent on cost reduction would lead to a small fall in gold production in the current year.

Gold output rose to 436,605oz from 388,021oz but the average price received fell to A$596 per oz from A$626.

The directors said the cost of production was running at A$376 per oz.

"A strong forward sales position has been maintained, with over 900,000oz forward sold at an average deliverable price of A$580 per oz," they said.

"The group net operating cash flow for the financial period was A$81.8m. Total equivalent cash increased to A$46.8m and the group remained totally debt free.

"The strong cash flow and debt free status enables the company to examine acquisition opportunities.

"The company will continue to review expansion options from its own resource portfolio, search for sound acquisitions and above all maintain the aggressive and innovative exploration programme."

The tax provision was A$11.4m compared with a A$17.1m credit, and depreciation took -A$45.5m against A$42.4m.

IBM shares slide on sales fears

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines' stock price continued to decline yesterday amid growing pessimism about the outlook for sales of its flagship mainframe computers, following Monday's announcement by Amdahl, another mainframe manufacturer, of slowing sales.

As Wall Street analysts lowered IBM's investment ratings, the stock fell by $2 to trade at $83½ at midday yesterday. Amdahl dropped slightly to $9¾ from $9⅞ following a fall of more than $5 on Tuesday.

Amdahl's forecast of an operating loss for the current quarter raised concerns that weak capital spending may have a negative effect on all makers of mainframe computers.

Many business customers are deferring capital expenditures by upgrading existing computer systems or purchasing second-hand mainframe computers.

However, mainframe industry executives said that demand for high-end machines remains "the same as it has been for the past 12 months".

Industry analysts agree that the trend toward "downsizing" to networked computer systems has had little impact on sales of high-end mainframe computers. They argue that Amdahl is suffering more than its competitors at the moment because it lacks the high-capacity data storage products that its competitors offer.

Amdahl is expected to begin shipments soon of a new generation of data storage systems that will match the performance of similar products from IBM and Hitachi.

Lloyd's location for US insurer

By Nikki Tait in New York and Andrew Jack in London

AMERICAN International Group, one of the largest US composite insurers, said yesterday that it had reached an agreement with Lloyd's of London, the UK insurance market, to set up the first insurance company underwriting operation located at Lloyd's.

Lloyd's confirmed it is in discussions with up to 20 insurance companies about rental space on the third floor of its building.

O&Y to sell building in NY for more than $100m

By Alan Friedman in New York

OLYMPIA & YORK, the troubled Canadian property developer, said it had agreed to sell a 34-storey building in Park Avenue to the New York-based Mutual of America Life Insurance Company.

Terms of the transaction were not disclosed, but Mutual is believed to be paying more than $100m for the building.

Mutual said the company plans to invest about $70m in an extensive renovation of the property. This could create about 1,000 construction jobs in New York.

O&Y is likely to use the proceeds of the sale to pay off a series of outstanding bank mortgages on the property; these are believed to total about $100m.

"We are not assuming any mortgages that O&Y had on the building," said Mr Thomas Moran, the president and chief operating officer of Mutual.

Mr Moran said Mutual, which has total assets of more than $6.2bn, plans to use the building as its new headquarters and to move in by 1995. "We will use about one third of the building and lease out the rest," Mr Moran said.

The building, located near the Waldorf Astoria Hotel, was previously the world headquarters of ITT, the US financial, industrial and travel conglomerate. It has remained vacant for the past 18 months.

The building consists of 664,000 sq ft and requires much work to remove asbestos and make a number of repairs.

The Reichmann family first acquired the Park Avenue building in 1977, when it bought several prime Manhattan properties.

Australian insurer returns to the black

By Bruce Jacques in Sydney

STATE Government Insurance Corporation, the Perth-based general insurer and investor, has returned to the black in the year to June, ahead of Western Australian government plans to float the group to the public.

The corporation, which achieved a high profile in the late 1980s through its involvement with Western Australian corporate entrepreneurs, turned a A$4.8m loss into a A$27.1m (US$16.5m) profit for the year.

The directors said the improvement reflected a 35 per cent rise to A$29.2m in investment income following a reorganisation of the group's portfolio. They said gross written premiums rose 14 per cent to A$183.3m, reducing the underwriting loss by A$18.6m.

Federal Express profits fall 29% in first quarter

By Nikki Tait in New York

DETERIORATING results in its home market caused Federal Express, the largest overnight delivery company, to report a 29 per cent profits fall in its first quarter.

In the three months to end-August, Fedex said it made $12.25m after tax, compared with $17.2m a year earlier. Turnover was $1.86bn, little changed on last year's $1.82bn.

The Memphis-based company has been bedevilled by losses on its international side and has therefore relied on its core domestic operations. It released the results late on Monday, after stock markets had closed. Yesterday, trading in its shares was delayed at the outset, and by mid-morning the price was $37¼, down $2½.

The international business showed an improvement in the first quarter. Operating losses were down to $57.1m on revenues of $523m, compared with $98.1m and $573m a year ago. Fedex said this was partly due to a $12.5m reduction in estimated settlement costs from its previously-announced European restructuring.

However, Fedex said the profitability of domestic operations had fallen "well below last year's level as declines in yields have recently outpaced our ability to reduce costs".

Average US domestic revenue per package had fallen 10 per cent year-on-year, the company said. It blamed the weak economy; discounting of rates; a switch by customers from next-morning deliveries to cheaper next-afternoon or two-day deliveries; and a similar growth of high-volume, higher-discount deliveries versus less-frequent shippers.

Overall, operating profits fell from $75.2m to $73.5m.

The company warned that pressure on domestic profit margins would continue "at least through the second quarter", with results being below previous expectations. On the international side, it said there should be an improvement over the $69.6m loss recorded in the second quarter of 1991.

Carter Holt Harvey wins battle over Sealord sale

By Terry Hall in Wellington

THE New Zealand Court of Appeal yesterday cleared the way for Carter Holt Harvey (CHH), the New Zealand forestry group, to sell Sealord Products, its fishing subsidiary, to a consortium led by Greenland Ocean Trawlers of Denmark.

The court threw out a legal challenge that would have stopped the company selling 40 per cent of its shares overseas. Southern Ocean Trawlers, a rival New Zealand fishing group, had argued that Sealord should not be allowed to have more than 25 per cent foreign ownership to retain its fishing quotas under the country's Fisheries Act.

CHH has received two bids for Sealord:

- One from the Danish-led consortium which includes Ord Minnett, an investment bank which is part of Westpac, the Australian banking group. It plans to float about 25 per cent of Sealord in New Zealand.
- The other bidder is a joint venture between Brierley Investments, the New Zealand investment group, and Maori tribal interests which will receive NZ$190m (US$105m) government support. This group also intends to float some of Sealord's shares.

CHH's plans to sell Sealord, believed to be worth $390m, have been delayed for months because of the court action.

White Martins earnings buck trend with 9% rise

By Bill Hinchberger in Sao Paulo

WHITE Martins, a publicly quoted Brazilian chemical company controlled by Praxair of the US, posted net profits of $36m for the first seven months of 1992. Last year the company earned $33m over the same period.

Mr Julio Cesar Cassano, director of legal affairs and market relations, said the group – which controls 70 per cent of the $650m Brazilian market for industrial gases – was able to buck a "negative" trend in Brazil.

He cited cost reductions and increased sales from a plant opened in March to supply Copene, a petrochemical company in Bahia state.

White Martins recently paid $13m for a controlling interest in Fracchia Hermanos, an Argentinian producer of industrial gases, starting what Mr Cassano called the company's "strategy for Mercosur", the proposed common market for Argentina, Brazil, Paraguay and Uruguay.

By investing $30m, the group hopes to boost Fracchia Hermanos' share of the $100m Argentinian market from 15 per cent to 25 per cent in five years.

CONTRACTS & TENDERS

INTERNATIONAL CAPITAL MARKETS

D-Mark bloc advances amid hopes of cut in Bundesbank rates

By Antonia Sharpe and Richard Waters in London and Martin Dickson in New York

RUMOURS that the Bundesbank would announce another cut in interest rates at its regular council meeting today and speculation about a further realignment in the Exchange Rate Mechanism (ERM) sent bond markets in the D-Mark bloc sharply higher in hectic afternoon trading.

The rumours were fanned by sterling's chronic weakness, which forced the announcement of two interest rate rises during the day. The market had closed long before sterling was eventually suspended in the ERM, with the second of the rate rises – due to take effect today – reversed.

Other signs that led the bond markets to believe the Germans would ease interest rates again today were: the Dutch central bank's cut in its key rates for the second time this week, independently of the Bundesbank; Belgium's cut in the discount and emergency lending rates, also for the second time this week; and the Bundesbank's injection of short-term funds into the money market yesterday at rates of around 9.25 per cent.

GOVERNMENT BONDS

■ UK government bond prices yesterday managed to shrug off most of the bad news from the currency markets and the two announcements of interest rate rises, leaving many traders perplexed.

"It's difficult to explain," one trader said. "It appears that gilt market investors seem more convinced about sterling's long-term position in the ERM than foreign exchange speculators."

Another said that higher interest rates would further undermine an already weak economy, a positive development for bond prices.

Long gilt futures bounced strongly yesterday afternoon after opening the day at 96.10, a whole point lower than their close on Tuesday. By late in the afternoon, after trading a massive 92,000 contracts, the futures price had jumped sharply to 98.08. In relatively thin trading, meanwhile, cash prices slipped in medium and longer-dated gilts, with losses of up to ¾ of a point.

Despite the fears for sterling – confirmed by the later suspension of the currency in the ERM – there was steady, if slow, buying of gilts, both from UK and overseas investors.

One UK investor said: "Gilts are really a one-way bet. Either there is a devaluation, in which case rates come down, or the government holds on and rates stay up, which is good for gilt prices because it pushes the economy further into recession."

Other observers also said that higher interest rates would further dampen the economy and kill off any danger of inflation, so helping longer-dated gilts.

■ THE Italian government bond market was largely paralysed in the face of the country's latest foreign exchange crisis yesterday. The lira fell like a stone to its floor in the ERM, prompting analysts to suggest that the currency may have to be taken out of the system until some semblance of stability returns.

Bond prices, though, eased back by only about a quarter of a point. Foreign investors have largely abandoned the market in recent weeks, and domestic investors were reported to be largely inactive as they waited for the crisis to be resolved.

■ GERMAN bond prices were boosted by the Bundesbank speculation and an influx of foreign capital. The purchases drove the average yield on German public-sector debt to a new 1992 low of 7.91 per cent, after 8.02 per cent on Tuesday.

The benchmark 8.0 per cent July 2002 Bund rose to 103.47 from 102.69 while in London, the December Bund future jumped to 91.20 in late trading from 90.19 in a volume of 12,082 lots.

■ DUTCH 10-year bonds outperformed their German counterparts following the central bank's 25 basis point cut in its three key official rates. Dealers reported that there was active domestic buying across the board, while the seven-year bonds made the biggest gains.

The yield on the 8.25 per cent bond due June 2002 dropped to 7.87 per cent from 8.01 per cent, while the 10-year Dutch-German yield spread narrowed to 39 points from 41 points.

■ YIELDS on Swedish bonds closed sharply higher but trading ground to a standstill after the Riksbank raised its marginal lending rate to 500 per cent from 75 per cent in the early afternoon. After the move, the central bank said the market could close if traders wished.

Dealers said that a krona devaluation was still very much on investors' minds, but that "there was not a lot one could do against rates of 500 per cent".

Three-month Treasury bills were some 550 basis points higher at 33 per cent while the 11-year bond rose 27 basis points to 11.50 per cent.

■ FRENCH bonds ended a volatile session about a half point higher than Tuesday's close on speculation of a cut in German interest rates and an ERM realignment.

Matif bond futures were pushed lower in early trading on the ERM tension and on news that President François Mitterrand had prostate cancer. They then lifted on statements that the president was not seriously ill but this was offset by the UK rate rises.

The September futures contract settled at 107.92, 46 basis points up on Tuesday's close, having briefly tested resistance at 108.00. It had hit a low of 106.90 after the first rise in UK rates.

In the cash market, the 2002 OAT finished 0.82 higher at 99.74 to yield 8.53 per cent after 8.65 per cent.

The Matif will open pit trading of its key French Treasury bond future at 7 am local time next Monday, a spokeswoman for the French futures and options exchange said yesterday. The French vote on the Maastricht treaty on Sunday.

■ SWISS bonds were in demand as investors switched out of EMS currency-denominated markets. A rise in the Swiss franc against the D-Mark also pushed the market higher.

Short-term rates continued to fall, with the benchmark three-month eurofranc rate down at 6 11/16 bid in late trading after 7 per cent on Tuesday. In the futures market, December government bond futures jumped to 95.15 from 94.49. At the long end, the Swiss government's 7 per cent bonds due 2005 rose to 102.05 from 101.65.

■ THE long end of the US Treasury bond market dipped slightly yesterday, adding to Tuesday's sharp drop, as Wall Street was further buffeted by the extraordinary developments in the European currency and money markets.

After a weak opening, the bond market moved off its lows, encouraged by rumours that the European monetary crisis might force the Bundesbank to cut interest rates further. However, those hopes dissipated when Britain announced its suspension from the Exchange Rate Mechanism to ease the currency crisis.

Sentiment was helped, however, by further evidence that the US economy remains extremely sluggish, with the Federal Reserve reporting that August industrial production fell 0.5 per cent, greater than Wall Street's consensus expectation of a 0.3 per cent dip.

The benchmark 30-year Treasury issue was quoted in late trading at around 99, down ⅛ to yield 7.327, but the short end saw a slight rise, with the 4.25 issue due August 1994 quoted up ⅛ at 100 ⅜ to yield 3.797.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.2421	-	8.90	8.85	8.41
BELGIUM		8.750	06/02	100.9500	+0.600	8.60	8.69	8.99
CANADA *		8.500	04/02	105.5800	-1.450	7.67	7.29	7.38
DENMARK		9.000	11/00	98.4500	-0.530	9.27	9.64	9.53
FRANCE	BTAN	8.500	03/97	93.2111	+0.318	8.97	9.42	9.32
	OAT	8.500	11/02	99.5100	+0.735	8.56	8.89	8.91
GERMANY		8.000	07/02	103.5450	+0.880	7.48	7.78	7.94
ITALY		12.000	05/02	90.6750	-0.275	14.241	14.15	13.62
JAPAN	No 119	4.800	06/99	99.6980	-0.307	4.82	4.72	4.78
	No 145	5.500	03/02	103.6233	-0.506	4.94	4.88	4.98
NETHERLANDS		8.250	06/02	102.3900	+0.920	7.88	8.27	8.31
SPAIN		10.300	06/02	88.8000	+1.150	12.31	12.52	12.04
UK GILTS		10.000	11/96	99-31	-9/32	9.99	9.90	9.42
		9.750	08/02	102-14	-22/32	9.36	9.36	9.22
		9.000	10/08	100-10	-15/32	8.96	9.03	8.96
US TREASURY *		6.375	08/02	99-30	-2/32	6.38	6.61	6.58
		7.250	08/22	99-01	-4/32	7.32	7.42	7.38
ECU (French Govt)		8.500	03/02	95.7800	+0.240	9.16	9.46	9.30

London closing, *denotes New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Banks underwrite planned Swedish loan of Ecu8bn

By Richard Waters

SWEDEN'S proposed Ecu8bn loan from international banks, part of its move to bolster currency reserves and defend the krona, has been successfully underwritten, despite continued disarray in the country's financial markets.

There had been concern, when the proposed loan was first announced last Friday, that banks would hesitate at taking on greater exposure to Sweden in the current climate. This feeling was exacerbated by the requirement for any bank taking part as an underwriter to take Ecu350m of the loan, before selling on the loan to other banks.

However, JP Morgan, which co-ordinated the loan, announced yesterday that 25 banks had come forward to act as underwriters. The banks represented in the underwriting group are drawn mainly from Germany, the UK, Japan, Sweden and Switzerland, with only two big US banks – Morgan and Citibank – present.

According to one underwriter, the yield on the three-year loan, around twice that offered in the similar facility launched by the UK in late August, made it sufficiently attractive to guarantee widespread support.

Meanwhile, it emerged that the UK has not accelerated the draw-down of its own foreign currency banking facility, despite the heavy intervention to defend sterling yesterday. As originally planned, half of the bank loan has already been drawn down, with the remaining half due to be drawn on 25 September. By late yesterday, that timetable had not been brought forward.

New issues go forward despite turbulent trading conditions

By Richard Waters

THE European Investment Bank and the Kingdom of Spain both ventured out in turbulent markets to launch large issues yesterday, only to find that investors' attention was on other matters – such as whether and when an ERM realignment would come.

The European Investment Bank's Y50bn, five-year deal was its first since the Italian government abolished its withholding tax exemption for multilateral agencies, and so a test for the market's appetite for the EIB. According to one bank, the yield on the bonds – brought at 13 basis points above the seven-year Japanese government bond No 104 – was only 8 basis points higher than that talked about last week, before the tax change.

INTERNATIONAL BONDS

However, this may give little indication of the overall extra cost that the EIB and other agencies – and the entities to which they lend – will have to pay as a result of the tax change. The yen is not a currency bought heavily by Italian investors: a greater test will come when the EIB next attempts to borrow in a higher-yielding currency such as the lira, peseta or Ecu.

Despite reports that the issue had been well-priced, and that many banks had succeeded in placing their portion of the issue, the bonds traded as much as 50 basis points down during the afternoon on the general malaise in the markets. Morgan Stanley, one of the joint leads, bid 98.80 for the bonds to put a floor under the price, compared with an issue price of 92.32 – and found itself forced to buy up Y10bn of the issue, to add to the Y18bn it said it had already placed.

The Kingdom of Spain's $1.5bn issue, to be priced today, caused greater concern among underwriters, with several questioning the wisdom of bringing the deal so close to the French referendum on Sunday. The issue had already been delayed in the hope of some stability returning to the markets – only to lift its launch into the most turbulent point of the week so far.

At an indicated range of 42-45 basis points over Treasuries, the bonds were regarded as fairly priced. The issue compares with a yield of 32 basis points above Treasuries offered recently by the Council of Europe – an AA1 borrower, compared to the AA2 Kingdom of Spain. About a third of the bonds were reported to have been sold in Europe, leaving a substantial part still to be placed.

The fate of the transaction could echo that of the $2bn deal for Ontario, launched earlier in the week. After an indicated spread of 46-48 basis points, the bonds were launched at 48 and were trading yesterday at 54 basis points above Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kingdom of Spain(b)	1.5bn	(b)	(b)	1999	0.3/0.125	Merrill Lynch/J.P.Morgan
Toyo Susan Kaisha§	200	1¼	100	1996	2¼/1½	Nikko Europe
Nikkodo Co.(c)§§	40	5¼	100	1997	2½/1½	Nomura Int
SWISS FRANCS						
European Inv. Bank(d)†	300	6⅜	102½	2004	-	Swiss Bank Corp
World Bank(a)**†	200	6¼	101⅞	2002	-	UBS
AUSTRALIAN DOLLARS						
Bremer Landesbank(a)**†	20	6⅞	99⅛	1995	-	Bremer Landesbank
YEN						
European Inv. Bank(a)†	50bn	4½	99.32	1997	¼/⅛	Morgan Stanley/LTCB Int
D-MARKS						
Tokai Corp(a)**†	10	6⅛	101½	1997	-	IBJ
FRENCH FRANCS						
Soc.Gen.Acceptance N.V.(e)‡†	1bn	(e)	99	1997	-	Societe Generale

**Private placement. §Convertible. §With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) To be priced today to yield 42-45bp over US treasuries. c) Short coupon first. Payable semi-annually. d) Reoppening clause. Callable after 8 years at 100⅞ and thereafter declining by ⅛% annually. e) First coupon payable on 6/6/93 at 10⅝%pa, then pays 32.5% minus 3 times Pibor quarterley

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	108¼	109⅛	+⅛	4.43
ALBERTA PROVINCE 9 3/8 95	600	112	112⅛	-⅛	5.10
AUSTRIA 8 1/2 00	400	111⅛	111⅝		6.46
...					
GENERAL MOTORS 7 1/2 95	100	99½	100½	+½	7.69
JAPAN DEV BK 5 1/2 94	100	97½	98	+½	7.41
KOBE 6 3/8 01	240	95⅛	96¼		7.03
NEW ZEALAND 4 7/8 99	200	88½	89	+1	7.17
QUEBEC HYDRO 5 08	100	74½	75½	+½	7.90
WORLD BANK 5 03	150	86¼	86¾	+¼	6.83
WORLD BANK 7 01	600	102	102¼	+⅛	6.67

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.28
WORLD BANK 8 96 LFr	1000	96¼	97¼		9.07
ENERGIE BEHEER 8 3/4 98 Fl	500	101⅛	102		8.42

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100⅞	101⅛		4.05
CREDIT FONCIER 5 1/4 94	20000	101⅜	102⅛		4.47
DENMARK 7 95	40000	105¼	106	-⅛	4.38
EIB 4 5/8 94	40000	102	102¼	-⅛	3.34
ELEC DE FRANCE 5 5/8 96	20000	102⅞	103⅛	-⅛	4.83
FINLAND 6 3/4 96	50000	105¼	105½	-⅛	5.07
INTER AMER DEV 7 1/4 00	30000	111½	111¾	-⅛	5.37
KANSAI ELEC PWR 4 5/8 94	60000	100¼	100⅝	-⅛	4.45
NIPPON TEL & TEL 5 7/8 96	50000	103½	103⅞	-⅛	4.99
NORWAY 5 1/8 95	50000	101½	101¾	-⅛	4.48
SNCF 6 3/4 00	30000	108⅝	109	-⅛	5.29
SWEDEN 5 5/8 95	20000	102¼	102⅝	-⅛	4.76
WORLD BANK 6 3/4 00	50000	110⅛	110⅜	-⅛	5.09

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	134½	136⅛	
CHUBB CAPITAL 6 98	250	86	108½	109½	+24.41
EASTMAN KODAK 6 3/8 01	300	50.67	104½	105¼	+20.00
GOLD KALGOORLIE 7 1/2 00	65	1.0554	95	96	+38.81
HANSON 9 1/2 06 £	500	2.5875	99	99⅞	+26.19
HAWLEY 6 02 PREF	400	19.1	109¾	111½	
HILLSDOWN 4 1/2 02 £	150	3.97	121½	122½	
LAND SECS 6 3/4 02 £	84	6.72	76⅛	77¼	+45.05
LASMO 7 3/4 05 £	90	5.64	73⅝	74⅝	
MITSUI BANK 2 5/8 03	200	2332.6	70½	72½	+24.65
MOUNT ISA FIN 6 1/2 97	100	2.283	101½	102½	+7.30
OGDEN 6 02	85	39.077	85⅝	86⅞	+75.46
SEGA ENTERPRISES 3 1/2 96	200	13018	100⅞	101⅞	+38.80
SMITH & NEPHEW 4 02 £	90	1.775	125⅛	126½	+70.53
SUMITOMO BANK 3 1/8 04	300	3606.9	69¼	70¼	+39.33
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	95¼	96⅛	+77.39
THORN EMI 5 3/4 04 £	103	7.16	119⅞	121	+30.64

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	72	1
Other Fixed Interest	2	13	0
Commercial, Industrial	110	726	587
Financial & Property	55	414	331
Oil & Gas	24	18	43
Plantations	2	0	7
Mines	55	14	80
Others	54	23	38
Totals	304	1,280	1,087

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
115	Nil	22/10	3pm	1pm	Bibby	1pm	
5	Nil	5/10	1pm	1pm	‡Embassy Property	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares. ♠ Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Sept. 14
- Last Dealings Sept. 21
- Last Declarations Dec. 10
- For settlement Dec. 21

3-month call rate indications are also shown on this page.

Calls in NatWest Bank, Owners Abroad, Premier Cons. and Ratners. Puts in AMEC, Barratt Devs., Body Shop Intl., Kalon, RMC, Tarmac and George Wimpey. Doubles in British Aerospace and Great Portland.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*561)	500	67	77	87	3½	8	12
	550	28	42	53	15	25	30
Utd. Biscuits (*273)	260	16	21	28	10	16	22
	280	7	15	19	25	29	33
Unilever (*982)	950	54	72	89	12	24	32
	1000	20	44	60	33	45	55

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*652)	600	70	81	96	6	15	19
	650	33	51	65	23	33	37
Blue Circle (*130)	140	1	10	15	11	22	25
British Gas (*229)	220	10	15	22	½	9	12
	240	½	7	12	12	22	25
Dixons (*187)	180	10	22	28	1	12	16
	200	1	13	21	15	22	28
Eurotunnel (*371)	360	15	45	60	½	24	34
	390	1	29	45	22	40	51
Brit Aero (*191)	180	26	36	38	20	26	29
	200	18	29	30	32	39	41
	220	13	22	24	48	53	56

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Glaxo (*781)	750	43	77	99	1	31	45
	800	1	50	72	13	56	66

September 16 Total Contracts 51,004
Calls 22,314 Puts 28,690
FT-SE Index Calls 10,464 Puts 6,164
Euro FT-SE Calls 1,438 Puts 1,410
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

Stock	p	Stock	p	Stock	p	Stock	p	Stock	p
■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7	■ OILS	
Allied-Lyons	43	Comm Union	42	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	12
Amstrad	4	Courtaulds	33	Lex Service	18	TI	50	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	31	TSB	11	Burmah Castrol	38
BAT Inds	54	FKI	6	Lonrho	9	Tesco	17	Conroy Pet	6
BOC	49	FNFC	6	Lucas Inds	10	Thorn EMI	51	Gaelic Res	½
BTR	32	Forte	17	Marks Spencer	22	T & N	11½	Premier Cons	2½
Barclays	24	GKN	31	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	18	Gen Accident	38	NatWest Bank	22	Vickers	12	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	33	Wellcome	70	■ MINES	
Bowater	58	Glaxo	55	Racal Elect	8	■ PROPERTY		RTZ	[illegible]
Brit Aerospace	30	Grand Met	29	RHM	14	Brit Land	17		
British Steel	6	GRE	13	Rank Org	42	Land Sec.	32		
BT	25	Hanson	15	Ratners	2½	MEPC	24		
Cadburys	32	ICI	78	Reed Intl	41				

COMPANY NEWS: UK

Meggitt records 3% improvement to £12.6m

By Richard Gourlay

MEGGITT, the Dorset-based engineering company, yesterday reported a 23 per cent fall in earnings per share but a 3 per cent increase in profits, helped by a reduction in the interest charge.

In spite of the drop in earnings, the group is increasing the interim dividend by 4.2 per cent to 1.25p (1.2p), based on confidence that it was "well placed to benefit from any changes in the industrial environment."

Pre-tax profits in the six months to June 30 rose from £12.3m to £12.6m on sales ahead 1 per cent to £152.9m.

At the operating level, profits fell 17 per cent to £11.7m as the group came under margin pressure and the cost of competing in tough markets increased, according to Mr Ken Coates, chairman.

Meggitt enjoyed the benefits of last November's £39.6m rights issue, which helped lead to a £2.78m swing to £901,000 interest earned.

Gearing at the half year fell to 8.5 per cent in spite of £51.5m spent on acquisitions during the period, helped by the rights but also due to cash management and cash generation.

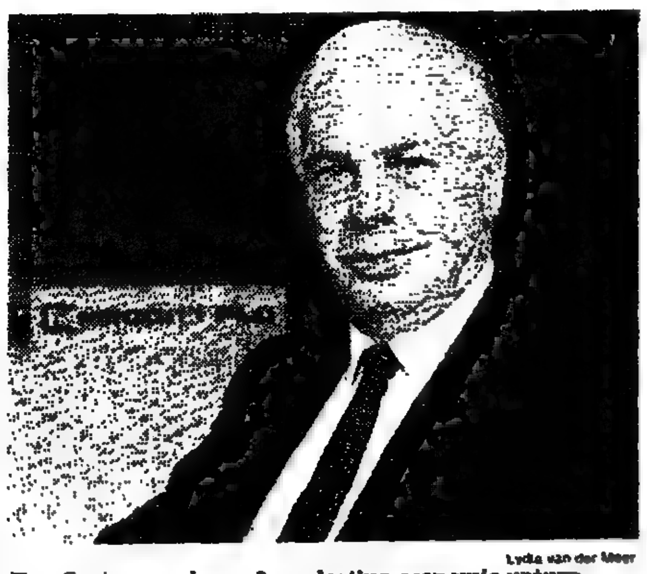
Mr Coates said that after a fall in capital expenditure last year from a level below that of depreciation, there had been an increase in the first half.

The research and development budget had also increased by 7 per cent over the same period last year.

On the operational side, the controls and aerospace divisions came under greatest pressure with difficulties in the UK in the former and the latter down on the exceptionally high first half last year.

Electronics and energy both improved their first half performances.

On current trading Mr Coates said the group's order intake was ahead of the comparable period last year, helped by newly-launched products. There were, however, no clear signs of any lasting economic upturn.



Lydia van der Meer

Ken Coates: no signs of any lasting economic upturn

Close Brothers edges ahead to £12.6m

By David Barchard

CLOSE BROTHERS, the City merchant bank, made pre-tax profits of £12.6m in the 12 months to July 31, an advance of 2.4 per cent on the previous year's £12.3m.

Total assets expanded by 5.6 per cent to £417m (£395m) and the loan book rose by 15 per cent to £275m (£239m). The group maintained a broad spread of lending and at the year end had only 13 loans of more than £1m.

Mr Hugh Ashton, chairman, said that the group had achieved "another resilient performance in the face of a gruelling year with extraordinarily difficult trading conditions".

He added: "In recent years we have outperformed others within our sector and we are now intent on building up a major merchant banking group.".

With the exception of Air and General Finance, the light aircraft and helicopter financing company, which incurred losses, most subsidiaries did well. Close Consumer Finance and PROMPT, the commercial insurance premium finance company, both had good years.

Deposits were down from £140m to £130m. Committed term facilities were £210m and substantial new funding has been agreed in principle since the year end.

The proposed final dividend is 6.5p, bringing the total for the year to 9.5p (8.8p), covered 2.3 times by earnings ahead 8 per cent to 22.7p (21.1p) per share.

Racal demerger heightens chance of a bid

By Richard Gourlay

THE DEMERGER of Chubb Security from Racal Electronics, which was announced yesterday, is likely to lead to a period of active but not necessarily fruitful courtship.

After Racal Electronics last year distributed its 80 per cent stake in Vodafone, the cellular telephone group, bid speculation began, with Chubb the main focus of attention. The bid duly came from Williams Holdings but was repelled.

Slide rules will again be run over the demerged Chubb and Racal. Being stand-alone businesses, the theory is that more predators will be interested in making an offer.

Racal is proposing to consolidate five old shares into one new Racal share and give shareholders one new Chubb share.

But the Chubb business has been considerably strengthened since Williams had a tilt at the group. Ironically this may mean that the shares are more fully priced and therefore less likely to attract the suitor.

Most dramatic has been the sharp increase in cash generation and a palpable increase in management focus on cost cutting that has led to a sharp increase in profits, particularly in Chubb.

Debt, which stood at £225m when Sir Ernest Harrison decided to postpone the last proposed demerger of Chubb, has now been almost halved – depending on what conversion rate is taken for the dollar debt. As a result Racal should have no problem servicing its borrowings without the benefit of the cash generative powers of Chubb.

Chubb has also gone some way along the path of cutting costs through improved purchasing and the closure of some of its 30 manufacturing sites.

The early benefit of this programme has meant the flotation prospectus can forecast operating profits of £28m in the 28 weeks to October and pre-tax profits after exceptional items of £21m, up 61 per cent on the previous year.

Mr David Peacock, the new Chubb chief executive, has recognised that the Chubb brand names could be better exploited to gain a greater share of a £7bn global market.

Racal Electronics, without Chubb, is a more complicated picture, and the group is not forecasting half year profits at this stage.

More than a third of the group's sales are in data communications, which has been a problem area since the group made a late entry into analogue modems in the early 1980s.

Before profitability returns to this division, Racal is likely to be hampered and possibly vulnerable to a bid.

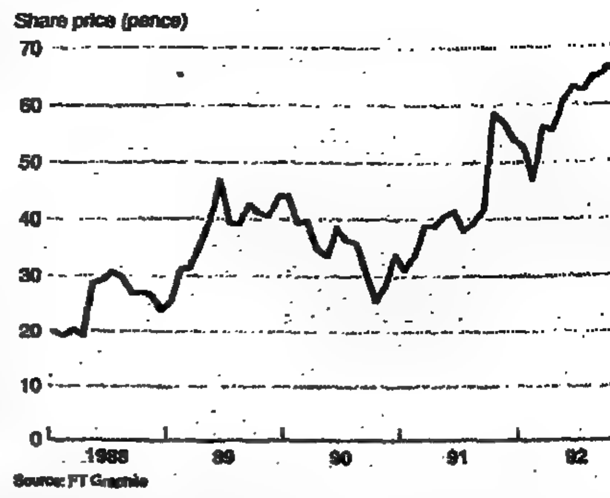
Mr David Elsbury, the chief executive, believes the corner has been turned after a repositioning in areas of higher market growth. It is now cash positive but has yet to prove it can deliver margin improvement.

Elsewhere, the group's radio division – one of the original foundations of Sir Ernest's empire – has broadened beyond military applications and should benefit from continuing high research and development expenditure.

Other businesses, like data networks, still require time to develop beyond the start up phase to full profit potential, making valuation of the group something of a difficult task.

Racal

Share price (pence)



Source: FT Graphite

Gestetner sells camera distribution side

By Paul Taylor

GESTETNER HOLDINGS, the office products and photographic film and equipment distributor, has found a buyer for its camera distribution business, which has been hit by the recession.

Concord Camera of the US is to purchase the Vivitar and Hanimex camera distribution business, excluding Hanimex Australasia, for $40m (£20.3m) in cash and 1.3m Concord shares, with an option to convert the shares to £12.5m in cash in 12 months' time.

Mr Basil Sellers, Gestetner chairman, said the sale reflected the realisation that camera distribution "was not a core business for us." The group had been seeking a buyer for nine months.

The camera business has net tangible assets of about $31m. Its main market is North America. Trading profits were £2m on world-wide sales of £90m in the year to October 31, but dipped to a £1.3m trading loss on sales of £37m for the six months to April 30.

Gestetner will retain its film and processing operations based in Australia, New Zealand and the UK, together with the right to the Hanimex name in Australia.

These operations mainly comprise distribution and processing of Fuji film in Australia and Fuji graphic arts products in the UK. Trading profits from this source were £7.2m on sales of £90m in the full year, and £1.7m on sales of £44m in the latest half year.

The cash proceeds of the sale will be used to reduce bank borrowings.

The UK group has been focusing on its core office equipment business following its 1990 acquisition of the non-US operations of Nashua Office Systems and its recent alliance with Ricoh of Japan.

Ricoh and AFP, the Australian investment company, hold nearly 25 per cent each of Gestetner, on a fully diluted basis.

NEWS DIGEST

Ramus shares suspended

SHARES OF Ramus Holdings, the manufacturer of ceramic tiles, kitchens and bedroom furniture, were suspended yesterday at 51p at the company's request pending clarification of its financial position.

Directors said results for the year to end-June would be considerably worse than expected, and would give rise to a substantial loss.

The company was at an advanced stage of discussions which could lead to a substantial capital subscription. A further announcement, together with publication of the results, would be made as soon as possible, they added.

LGW at £0.44m and resumes dividend

LGW, the USM-quoted marketing services and luxury goods group, achieved pre-tax profits of £438,000 in the six months to June 30, compared with losses of £254,000. The group returned to the black in the second half last year and reported profits of £77,000 for the full year.

The result was achieved, directors said, by maintaining a lower level of expenses, better profit margins, and by a reduction in stock levels.

Turnover improved to £6.76m (£6.21m). Earnings per share worked through at 7.8p (5.7p losses) and an interim dividend of 1.125p is declared, the first payment since 1990.

High Gosforth Park in red at midway

High Gosforth Park reported pre-tax losses of £64,168 for the six months to June 30, against profits of £5,897 in the previous first half. The 1991 year ended with losses of £46,000.

The operator of the Newcastle racecourse said gate receipts and commission from on-course betting had suffered from smaller fields due to dry weather and recession.

Turnover in the six months rose to £592,167 (£565,590) but cost of sales was £572,600 (£467,038). Losses per share of 70.5p compared with earnings of 0.2p and there is no interim dividend.

FBD increases payment by 25%

FBD yesterday announced a 19 per cent rise in interim profits and a 25 per cent dividend increase.

The pre-tax result at the Dublin-based insurer advanced from I£4.43m to I£5.25m on sales up 34 per cent at I£48m.

The directors of the USM-quoted company have decided to raise the interim dividend payment to 2p (1.6p) on earnings per share of 7.58p (6.17p).

They pointed to improved underwriting results in FBD Insurance, where earned premium rose substantially and there were reduced claims costs.

Kingspan Group declines to £1m

Pre-tax profits declined by I£500,000 to I£1m (£958,000) at Kingspan in the first half to June 30. Sales fell by 10 per cent to I£27.4m (I£30.5m).

The Irish Republic-based maker of steelwork for buildings and metal doors and windows, said it had maintained volume in its building components division by increasing market share during the period, but if the market contracted further it would not be able to do so again.

The interim dividend is maintained at 1p on earnings per share of 3.02p (4.88p).

Over 94% take up Malaya rights

Malaya Group, the USM-quoted Mercedes Benz retail motor distributor in which Nicholas Lancaster and associates have taken control, has received acceptances in respect of 16.14m ordinary shares (94.24 per cent) of its rights issue.

Simpsons buys Oxford restaurant

By Paul Taylor

Simpsons of Cornhill, the owner of two of the City's most famous restaurants and which is embroiled in a bitter battle for control with dissident shareholders, yesterday acquired La Cantina, one of Oxford's most popular restaurants, from Gillport Hotels & Catering.

The consideration was 796,875 new shares worth £255,000 at yesterday's close of 32p.

La Cantina reported pre-tax profits of £40,000 on sales of £360,000 in the year to September 30. Sales in the eight months to end-May were £216,000.

As a result of the deal Mr Rory Haisley, Gillport's main shareholder, has been appointed Simpsons operations manager.

Gillport will emerge with a 17.7per cent stake in Simpsons.

Try declines to £380,000

By Peter Pearse

MR HUGH TRY, chairman of Try Group, said yesterday he was pleased that pre-tax profits at the contractor and housebuilder had only declined from £501,000 to £380,000 in the six months to June 30, given the constraints on the sector.

Overhead reduction has been swingeing. About 25 per cent of the workforce has gone in the past year – "well into the lean of the company", said Mr Try. He said there was very little new work on architects' drawing-boards, but that there were "opportunities available even during a recession". Try has had some success acquiring sites, contracting business and indeed contracts from the receiver.

Margins could be better on those unfinished sites or projects of failed builders or contractors, Mr Try said. Work gained this way now accounts for about 15 per cent of Try's turnover, which rose 10 per cent to £63.1m (£57.2m) as several large contracts reached their final stages.

In August 1991 it raised about £8m through a rights issue to buy housebuilding sites from the receiver of Egerton Trust and more recently it acquired a partially completed block of flats in Gravesend, Kent. At the end of last year, it bought Arnold & Nathan, the contracting business, and has acquired contracts for an office block and a leisure complex from Swindon-based Isis.

The interest charge was £275,000; last time there was a credit of £385,000 because of the banked proceeds of the rights before the Egerton buy.

Earnings fell to 0.73p (2.28p) per share and the interim dividend is cut to 0.5p (2p).

Triton Europe at £3.89m

TRITON EUROPE, the independent oil and gas exploration and production group, announced after-tax profits of £3.89m for the year to May 31. Last time net profits amounted to £31.4m after an exceptional gain of £34.8m arising from the sale of the company's North Sea assets.

At the pre-tax level there were losses of £335,000 (£45.1m profits) reflecting a decline in the average oil price to $20.48 ($26.78) per barrel.

The results also included an additional depreciation charge of £1.3m reflecting a reduction in the estimates of reserves at Villeperdue, the company's principal source of production.

However, changes were to be made in the operating structure of the field which Mr Tom Graves, the chairman, said should result in "meaningful savings and improved profitability".

On the current year he said that trading conditions in the first three months were in accordance with company expectations. Triton's financial position remained strong with net assets of £65.2m, indebtedness of £500,000 and about £5m in cash.

Turnover fell from £29.7m to £21.7m and gross profits to £4.32m (£12.7m).

Net interest receivable amounted to £677,000 against £66,000 but there were exchange losses of £332,000 (£1.3m gains).

Earnings per share came through at 4.71p (38.05p) but there is no dividend payment for the year.

Restructuring helps put Bluebird back in black

By Peter Pearse

AFTER THE wide-ranging restructuring of the business in 1991, Bluebird Toys returned to the black in the six months to June 30.

Mr Torquil Norman, chairman, said the toy designer, manufacturer and distributor had "an excellent first half" – profits emerged at £234,000 pre-tax (losses £4.47m).

Mr Angus Fisher, group operations director, said that the restructuring was completed and paid for and that the results were showing the benefit.

In 1991 the company had found itself with excessive manufacturing capacity in the UK as its international business developed. Cheaper manufacturing in the Far East became imperative so two UK factories were closed.

The restructure accounted for £3.34m of last time's losses, and Mr Fisher said the second-half performance would not match the first.

Group turnover in the first half advanced 49 per cent to £17.4m (£11.7m), thanks in large part, Mr Fisher said, to a 78 per cent rise in international sales to £8.68m.

This rise was mostly due to the worldwide distribution and sales agreement with Mattel, the second biggest US toy maker, and a similar agreement for Japan with Bandai. Bluebird's diminutive Polly Pocket range is the number one girl's toy in that country.

UK turnover grew 29 per cent to £8.72m. Aside from the restructure, profits were aided by lower overheads – between 1990 and 1991 stock was reduced 50 per cent and by the end of the period under review it was cut by a further 37 per cent. The overdraft was paid down by £2.5m to £7.5m.

Earnings per share emerged at 2.6p (losses 46.1p) and again there is no interim dividend, though Mr Norman said the board expected "to be able to consider a dividend" at the year-end.

Torquil Norman: 'an excellent first half'

Depressed spending levels leave AMV lower

By Gary Mead, Marketing Correspondent

ABBOTT MEAD Vickers, the advertising agency, reported pre-tax profits of £1.54m for the first half of 1992, a modest fall from the comparable £1.9m.

Turnover increased by 6.4 per cent to £77.7m (£73m) during a period of generally depressed client spending.

Excluding income from BBDO and minor agencies, turnover expanded by less than 1 per cent, reflecting a reduction of client spending of about 10 per cent.

AMV, which in March 1991 acquired BBDO, the London agency of BBDO Worldwide, said that it had new business worth £42m in the first half and was currently pitching for a further £59m. New accounts won so far this year include ICL, Pillsbury, Adidas and Weetabix.

Operating profits fell to £1.23m (£1.5m).

Mr David Abbott, chairman, said: "We have continued to pay close attention to costs, giving selective salary increase only, holding property costs and minimising ancillary expenditure."

Earnings per share dropped to 6p (8.63p), but the interim dividend goes up 7 per cent to 3p (2.8p). James Capel, the broker, is forecasting pre-tax profits of £6.1m for the year (£5.02m).

Eidos reduces loss to £87,641

Eidos, the USM-traded computer video editing equipment manufacturer, incurred a pre-tax deficit of £87,641 over the six months to June 30.

The outcome, struck on turnover of £54,625, compared with losses of £169,034. Mr Michael Briggs, chairman, said that deliveries of the company's products only began towards the end of the period.

Losses per share were cut to 3.98p (7.68p).

Calor depressed by reorganisation costs

By Roland Rudd

THE MILDER weather and restructuring costs were blamed by Calor Group, the bottled gas company, for a 65 per cent fall in profits for the half-year to June 30.

Pre-tax profits of £11.5m (£32.7m) were struck after an exceptional charge of £14.8m (£6m) to cover redundancies and the write down of stock.

The number of employees was reduced by another 800 to some 2,200.

Several board changes are to take place at the behest of SHV, the biggest shareholder. The Dutch investment company owns 46.2 per cent of the stock.

Mr Folkert Schukken is to relinquish his role as chief executive on January 1 in favour of Mr Howard Robinson, currently managing director of Calor Gas. Mr Schukken is to oversee SHV's world-wide liquefied petroleum gas operations; he will remain on Calor's board as non-executive deputy chairman.

In the longer term, Mr Michael Davies, chairman, expects to relinquish that post in favour of one of SHV's board members.

Mr Alistair Pate, finance director, said: "The moves underline SHV's de facto control and their intent to get legal control as soon as possible."

Sales fell by 23 per cent to £165m (£214m) because of reduced tonnage of gas supplied and lower selling prices.

Group operating profit fell to £27m (£40.1m).

Mr Hamish Macpherson, treasurer, said that while the core gas business performed satisfactorily, costs associated with the development of new businesses rose substantially.

The air separation businesses suffered operating losses of £3.8m (£300,000) associated with technical and marketing costs.

Pam Gas, the joint venture with SHV, lost £300,000 (£200,000) reflecting start-up management costs.

Borrowings stand at £15m and are expected to rise to about £20m by the end of the year.

Earnings per share fell from 13.3p to 4.1p.

The interim dividend is maintained at 6p.

NEWS DIGEST

Sharp fall at Stag Furniture

PROFITS FELL by 66 per cent at Stag Furniture Holdings in the six months to June 30.

The cabinet furniture maker reported a pre-tax figure of £317,000, against £932,000. Sales were £2m lower at £12.5m.

The company said margins were under pressure. Costs were carried from promotional activities and introduction of new ranges.

Earnings were reduced to 0.9p (6.2p) per share and the directors have decided to lop 1p off the interim dividend at 1.5p.

World of Leather edges up to £94,000

World of Leather, the USM-quoted furniture retailer, saw profits of £94,000 pre-tax for the six months to June 30.

The increase from the comparable £41,000 was achieved despite turnover falling to £12.7m (£13m) reflecting the closure of two stores last year; turnover on a like-for-like basis showed a marginal improvement, the company said.

Earnings per share rose from 0.5p to 1.2p. There is no interim dividend; the last distribution to shareholders was a final of 0.8p in 1989.

Costs of failed buy depress Quarto

The £160,000 costs of an aborted acquisition resulted in reduced profits of £1.06m at Quarto Group in the six months to June 30. This compared to £1.21m in the previous first half.

Turnover rose 8 per cent to £15.8m (£14.6m).

The US-registered publishing, marketing support and production services group is maintaining the interim dividend at 1.6125p.

Earnings per share came through at 3.3p (4.5p) basic or 4.1p (5p) diluted.

Margins squeezed as CI falls 16%

CI Group, the West Midlands-based steel and engineering company, continued to suffer from falling sales volumes and tighter margins.

Despite a sharp reduction, from £711,000 to £492,000, in interest payable, pre-tax profits for the six months to July 31 amounted to £1.42m – a decline of 16 per cent on the previous £1.69m.

Turnover dipped 11 per cent to £35.1m (£39.4m). However, the interim dividend is maintained at 0.825p, payable from earnings of 1.12p (1.34p) per share.

A goodwill write-off of £377,000 was taken below the line.

Dartmoor net assets drop to 70.5p

Dartmoor Investment Trust had a net asset value of 70.5p at July 31 – a drop of 40 per cent on the 117.1p of 12 months earlier.

Available revenue was £594,000 (£553,000) for the first quarter to end-July. Earnings per share were 2.48p (2.77p) and a first interim dividend of 2.5p (2.4p) is declared.

James Finlay declines to £3.71m

Lower pre-tax profits of £3.71m, against £5.14m, were announced by James Finlay, the overseas trading and financial services group, for the half year to June 30.

The result last time included a gain of £1.3m from the sale of the Tower Bridge property.

As before, the results excluded the plantation interests in Bangladesh as only a small proportion of the crop is sold by June, but they included the Kenyan tea interests.

The company said that overall profits in Kenya were likely to be better than last year. The loss on the Bangladeshi tea operations in 1991 was substantial but a break-even position was expected for 1992.

Turnover fell to £70.7m (£74.2m). Earnings per share dropped by 1p to 1.9p and an unchanged interim dividend of 2p is declared.

Helical Bar returns to black with £0.5m

Helical Bar, the property investment, development and trading company, returned to profit in the first half to July 31 with £536,000 pre-tax, against losses of £694,000.

For the year to January there were losses of £6.49m.

Mr John Southwell, chairman, said that in spite of poor conditions, Helical sold more than £14m of property in the first half at above book cost, reducing net borrowing to £87m (£120m) at July 31.

Turnover fell to £15m (£21m). Earnings per share improved to 6.1p (0.2p) but the interim dividend is held at 2.4p.

Modest setback at Northern Industrial

Northern Industrial Improvement Trust, the investment and property holding company, reported pre-tax profits of £425,996 for the 12 months to March 31.

The outcome, a modest decline on the previous £434,131, was struck on total income of £473,235 (£483,845).

Earnings per share emerged at 24.7p (25.68p). A recommended final dividend of 15p brings the total for the year to 22p (22p).

Alumasc ahead 23% to £7.2m

By Paul Cheeseright, Midlands Correspondent

ALUMASC, the UK's largest beer keg manufacturer which also makes precision components and specification building products, announced record profits in the year to June 30.

The growth, however, reflected contributions from companies acquired during 1991 and interest on net cash holdings. Mr John McCall, chairman, said the year "disappointed all reasonable expectations of economic recovery."

Pre-tax profits of £7.2m showed a 23 per cent improvement on the comparable £5.85m. Net cash balances declined from £4.5m to £3.4m but nonetheless produced net interest receivable of £254,000 (£268,000).

Turnover amounted to £45.3m (£41.8m), but the figure masked a substantial change in the complexion of sales. The container and dispense products division, which covers beer keg manufacture, sank to 30 per cent (52 per cent) of the total, as demand from the brewing industry declined.

In contrast, turnover from specification building products rose to £20.9m (£11.3m) partly on acquisitions but also reflecting moves to break away from dependence on the beer keg market, "to be less dependent on a single customer base," as Mr McCall put it. "I feel much less exposed than I used to be five or six years ago," he said.

Acquisitions pushed up total operating costs, but Mr McCall said that fixed costs had been reduced in each of the individual businesses, stocks had been cut and there were no bad debts.

Earnings per share rose 10 per cent to 31.3p; the proposed final dividend is 7.45p, bringing the total to 11p (10p).

Prospects for organic growth were not hopeful. "Most of our market remain depressed and hesitant," Mr McCall said.

COMPANY NOTICES

NOTICE OF MEETING
OF THE HOLDERS OF
11-1/8% SENIOR DEBENTURES DUE AUGUST 15, 1992
10-1/2% SENIOR DEBENTURES DUE FEBRUARY 27, 1998
FLOATING RATE SENIOR DEBENTURES DUE 1995
10.20% SENIOR DEBENTURES DUE JUNE 30, 1999
10.45% SENIOR DEBENTURES DUE JUNE 30, 2014
10-1/2% SENIOR DEBENTURES DUE NOVEMBER 30, 1999
OF
BRAMALEA LIMITED

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders (the "Holders") of the outstanding principal amount of each series of senior debentures (collectively, the "Debentures") of Bramalea Limited (the "Corporation") set forth above and issued pursuant to a trust indenture as amended by eight supplemental indentures (collectively, the "Trust Indenture") dated as of February 15, 1985 between the Corporation and The Canada Trust Company and Montreal Trust Company of Canada as successor trustee (the "Trustee"), will be held at The Grand Ballroom, Marriott Hotel, 525 Bay Street, Toronto, Canada, on Friday, the 9th day of October, 1992 at 10:00 a.m. for the following purposes:

1. To report on the status of the Revised Business Plan of the Corporation which the Corporation has been discussing with various lenders and other securityholders of the Corporation and to provide a description of the terms of the Revised Business Plan which relate to the Debentures.
2. To consider and, if thought advisable, to pass, with or without variation, an extraordinary resolution, the proposed text of which will be set out as a schedule to the information circular for the Meeting (the "Information Circular") to be provided to Holders by the Corporation and the terms of which:
   (a) assent to and authorize the amendment of the provisions of the Trust Indenture and the Debentures and the interest coupons, if any, appertaining thereto to implement the terms of the Revised Business Plan which relate to the Debentures, effective as of the implementation date of the Revised Business Plan of the Corporation (the "Implementation Date") referred to in the Information Circular, all as more particularly described below under the heading "Revised Business Plan" and in the Information Circular;
   (b) authorize such amendments to the extraordinary resolution as may be necessary or desirable to give effect to the wishes of the Meeting (or any adjournment thereof); and
   (c) authorize and direct the Trustee to give effect to the extraordinary resolution by entering into, executing and delivering supplemental trust indentures with the Corporation embodying the amendments of the provisions of the Trust Indenture, Debentures and interest coupons so assented to and any other agreement, document or instrument (whether with each other or otherwise) which, in the opinion of the Trustee, is necessary or desirable to give effect to the extraordinary resolution.
3. To consider and, if thought advisable, to pass, with or without variation, an extraordinary resolution, the proposed text of which will be set out as a schedule to the Information Circular and the terms of which:
   (a) assent to and authorize the amendment of the provisions of the Trust Indenture and the Debentures to provide that holders of Debentures shall have the power exercisable by extraordinary resolution to make such amendments to any extraordinary resolution at the meeting called to consider such extraordinary resolution, without any further notice being given in respect thereof, as may be necessary or desirable to give effect to the wishes of the Meeting (or any adjournment thereof); and
   (b) authorize and direct the Trustee to give effect to the extraordinary resolution by entering into, executing and delivering a supplemental trust indenture with the Corporation embodying the amendments of the provisions of the Trust Indenture and Debentures so assented to and any other agreement, document or instrument (whether with each other or otherwise) which, in the opinion of the Trustee, is necessary or desirable to give effect to the extraordinary resolution.
4. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Revised Business Plan

The terms of the Revised Business Plan which relate to the Debentures contemplate that the Trust Indenture and the Debentures will be amended effective as of the Implementation Date to:

(a) provide for the conversion on the Implementation Date of 75% of the principal amount of the Debentures of each series held by each Holder together with the amount of interest accrued on such principal amount up to but excluding the Implementation Date, rounded up to the nearest dollar in Canadian funds, into common shares of the Corporation on the basis of one common share for each $1.00 in Canadian funds (or the equivalent thereof in United States funds) of principal amount or accrued interest;

(b) provide that the principal amount of each series of Debentures, as so reduced, together with the amount of interest accrued thereon up to but excluding the Implementation Date (collectively, the "Amended Debentures") shall be due and payable on that date which is the later of October 31, 1997 and the date which is five years from the Implementation Date;

(c) provide that interest shall be payable on each series of Amended Debentures at the applicable rate thereon annually in arrears on the following basis: in the first two years of the term of the Amended Debentures interest shall be payable entirely in common shares of the Corporation, in the third year interest shall be payable as to 80% in common shares and the balance in cash, in the fourth year interest shall be payable as to 60% in common shares and the balance in cash, and in the fifth year interest shall be payable as to 40% in common shares and the balance in cash. For this purpose, the common shares of the Corporation shall be valued at the average closing price of the common shares on The Toronto Stock Exchange during the 60 days immediately preceding the applicable interest payment date;

(d) provide that the Amended Debentures shall be convertible, at the option of the Holder, into common shares of the Corporation at any time after the Implementation Date and prior to maturity at a price equal to 90% of the average closing price of the common shares on The Toronto Stock Exchange during the 60 days immediately preceding the applicable conversion date;

(e) provide that interest coupons appertaining to coupon Debentures shall be null and void and of no further force and effect from and after the Implementation Date; and

(f) provide for certain amendments to the Trust Indenture effective as of the Implementation Date, including amendments to the covenants of the Corporation, the provisions relating to events of default, the provisions relating to meetings of Debentureholders and the provisions relating to the floating charge created by the Trust Indenture to accommodate the implementation of the Corporation's Revised Business Plan.

Further Information

Further details of the proposed extraordinary resolutions, the business and financial affairs of the Corporation and detailed voting procedures for the Meeting will be contained in the Information Circular prepared by the Corporation, copies of which will be mailed to Holders of registered Debentures and available from the Trustee at any of its branches set forth below. Details relating to the deposit of instruments appointing proxies with the Trustee at its office in the City of Toronto also will be contained in the Information Circular.

DATED at Toronto, Ontario, this 17th day of September, 1992.

BRAMALEA LIMITED
Marvin Marshall
President and Chief Executive Officer

Charles Simon
Senior Vice-President,
General Counsel & Secretary

OFFICES OF MONTREAL TRUST COMPANY OF CANADA

Montreal Trust Centre, 510 Burrard Street, Vancouver, B.C. V6C 3B9, (604) 661-9400

411-8th Avenue S.W., Calgary, Alberta T2P 1E7, (403) 267-6800

The Eaton Centre, 1101-10200-102 Avenue, Edmonton, Alberta T5J 4B7, (403) 422-8181

15 King Street West, 9th Floor, Toronto, Ontario M5H 1B4, (416) 860-5915

Place Montreal Trust, 1800 McGill College Avenue, Montreal, Quebec H3A 3K9, (514) 982-7000

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.09.92: Pool purchase price £/MWh	Final Prices for Trading on 15.09.92: Pool purchase price £/MWh	Final Prices for Trading on 15.09.92: Pool selling price £/MWh
0030	17.76	20.07	24.06
0100	17.76	20.04	24.06
0130	17.76	17.71	17.71
0200	17.76	17.71	17.71
0230	17.76	17.71	17.71
0300	17.76	17.71	17.71
0330	17.76	17.71	17.71
0400	17.76	17.71	17.71
0430	17.76	17.71	17.71
0500	17.76	17.71	17.71
0530	17.76	17.86	17.86
0600	17.71	17.71	17.71
0630	17.76	20.06	24.11
0700	22.06	20.87	24.96
0730	22.84	22.85	26.96
0800	26.89	24.07	28.21
0830	28.05	25.89	30.06
0900	28.06	27.57	31.54
0930	28.11	28.09	32.21
1000	28.11	28.11	32.16
1030	28.12	28.11	32.21
1100	28.14	28.14	32.26
1130	28.16	28.22	32.37
1200	28.22	28.26	32.41
1230	28.16	28.23	32.37
1300	28.12	28.12	32.26
1330	28.02	27.37	31.47
1400	26.90	26.46	30.54
1430	24.64	24.46	28.46
1500	24.63	24.46	28.47
1530	24.63	28.02	32.07
1600	24.84	28.03	32.06
1630	24.67	24.47	28.51
1700	28.07	24.47	28.51
1730	28.06	24.46	28.47
1800	28.03	24.46	28.47
1830	24.09	20.81	27.84
1900	21.66	23.53	27.57
1930	22.01	22.10	22.10
2000	28.02	19.98	19.98
2030	28.03	21.59	21.59
2100	28.02	26.64	30.73
2130	24.09	26.64	30.70
2200	23.20	26.64	30.73
2230	23.18	23.05	27.09
2300	22.15	22.59	26.65
2330	22.06	21.29	25.34
2400	21.46	20.63	24.88

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are [illegible] the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:00pm Monday to Friday.

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COMPAGNIE BANCAIRE

FRENCH FRANCS 800,000,000
FLOATING RATE
NOTES DUE 1997

For the period September 16, 1992 to December 16, 1992 the new rate has been fixed at 10,0625% P.A.
Next payment date: December 16, 1992
Coupon no: 9
Amount: FRF 254,36 for the denomination of FRF 10 000
FRF 2543,58 for the denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT
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Community Hospitals shows 16% increase

By Jane Fuller

COMMUNITY Hospitals Group, which runs private hospitals and nursing homes, increased pre-tax profit by 16 per cent to £6.75m in the 12 months to the end of June.

The rise, from £5.81m, came on turnover up 20 per cent to £42.1m (£35.1m). The pre-tax figure compares with the £7m given by the company in March as its "best view" of the full-year outcome.

Although the tax rate was lower, growth in earnings was limited to less than 3 per cent, from 15.6p to 16p per share, by extra shares in issue after last year's £10.4m rights issue.

Sir Peter Thompson, chairman, said the company had had about nine rights issues since 1981. Now it had reached a stage where organic growth could be financed in-house.

This might mean gearing rising to between 50 and 60 per cent as capital spending continued. It was £21m last year and would be nearly £20m this year.

In June, net debt stood at £22m, gearing of 33 per cent, compared with £4m and 7 per cent at the end of the previous year. Mr David Croker, finance director, said £1.6m (£1.1m) of interest had been capitalised.

The hospital division, which has 10 units and 480 beds, increased operating profit by 14 per cent to £5.6m on turnover up 17 per cent to £36.1m.

While the recession had reduced income from self-pay patients, the insured market continued to grow and changes in the National Health Service had created contracting opportunities.

Continuing care improved profit by 56 per cent to £1.25m on £6m turnover. Mr Alan Dexter, chief executive, said the market was being driven by the increasing number of elderly people, particularly those over 85, where one in five suffered from dementia.

In addition to the group's eight nursing homes, clusters of sheltered flats and cottages were being developed alongside its main sites. Services could also being delivered to people in the community.

A proposed final dividend of 4.1p lifts the total from 6p to 6.5p.

Sir Peter Thompson: organic growth could now be financed in-house

● COMMENT

No sooner did Community Hospitals bite the bullet by deciding to fund future growth with debt in preference to paper than interest rates shot up. One analyst hastily downgraded a 1992-93 forecast from £7.5m to £7.2m pre-tax "as a gesture" towards what higher financing costs might mean to a group whose debt was £22m and rising. While an ageing and increasingly infirm population will undeniably fuel the health market, the impact of NHS reforms and the Care in the Community legislation due next spring is less easy to predict. Trust hospitals, for instance, will increase competition. The £7.2m forecast gives a prospective p/e of less than 12 on yesterday's close of 191p. This is a comparatively low rating for a company in an expanding market and the stock is worth holding. However, earnings growth has been muffled first by extra equity and now by finance costs and rising tax.

Waterford Foods aided by UCD purchase

By Tim Coone

WATERFORD FOODS, the largest dairy processor in the Irish Republic, announced a 13 per cent increase in pre-tax profits to I£8.69m, or £8.34m, after amortisation of goodwill, for the six months to June 30.

Turnover advanced by 15 per cent to I£250m.

The company said that "very good performances were recorded by all our businesses except the UK fruit juice operations where results were below expectations. The first half also benefited from the acquisition of United Co-operative Dairies (UCD) in December 1991."

The company's 2-for-9 rights issue last February raised I£24.3m. It completed the purchase of Express Foods, Ireland in July, at the same time as taking 100 per cent control of Premier Dairies, the principal supplier to the Dublin liquid milk market.

The latest two acquisitions cost I£89.6m, bringing the total spent on acquisitions over the past four years to some I£200m.

The company said that "major progress" was being made in restructuring the two neighbouring dairy companies it acquired in the UK, Healds in 1989 and UCD in 1991, and that significant benefits would come through over the next 18 months.

Healds and UCD have a combined milk pool of 60m gallons, and a combined market share for liquid milk of about 25 per cent in the north-west region around Manchester.

Mr Stephen O'Connor, managing director, said a broadening of the company's product portfolio and cost competitiveness were group priorities and that the recent acquisitions gave the directors confidence for Waterford's future as "a large, international, consumer-orientated food business."

Goodwill amortisation of I£621,000 held back earnings per share to 4.29p (4.21p). An interim dividend of 1.15p (1.1p) is declared.

New acquisitions behind 18% jump to £6.2m at SBJ

By Andrew Jack

ACQUISITIONS BY Steel Burrill Jones, the insurance group, allowed pre-tax profits to rise 18 per cent to £6.23m in the six months to June 30. However, organic growth proved disappointing.

Turnover rose 20 per cent to £24.5m, while expenses increased 23 per cent to £22.3m.

Mr Tony Keys, finance director, said profits would have fallen without the contributions from SBJ Regis Low and Nelson Steavenson Bloodstock, which were bought earlier this year.

He said underlying expenses – disallowing the impact of the new companies – were down 3 per cent, as a result of staff reductions and tight control on wage increases.

The acquisitions also helped boost investment and other income to £3.8m, compared with £2.8m last time.

Income fell from divisions including SBJ Oil & Gas, SBJ Marine and the North American operations, which experienced increased competition.

Earnings per share fell 1.15p to 8.77p but the interim dividend is maintained at 4.25p.

Mr David Beresford Jones, chairman, admitted that the results had not fulfilled directors' expectations at the time of the 1991 annual report, due mainly to a disappointing performance from wholesale insurance.

He said he saw no signs of improvement during the rest of the year for the company's three principal areas of activity.

He anticipated continued difficulties for wholesale insurance and lower profitability from Regis Low than during its last year before acquisition.

BOARD MEETINGS

TODAY

Interims- APV, Baynes (Charles), Benrose, Bentalls, Campari Intl, Canning (W), Christies Intl, Davis Service, EBC, Eadie, Folkes, French Property Trust, Goal Petroleum, Guinness, Laporte, Legal & General, MTL Instruments, Magnolia, Mayborn, Oliver Group, Premier Cons, RMC, Sanderson Murray & Elder, Spandex, Thames TV, Wassall.

Finals- Dowding & Mills, Foreign & Colonial High Income, Gabicci, Green (E), Logica, Polypipe, Tottenham Hotspur, Usher (Frank)

FUTURE DATES

Interims-

Anglo Pacific Resources	Sep 30
Bristol & West Bldg Soc	Sep. 18
Dickie Neel	Sep. 21
ERA	Sep. 24
German Smaller Cos Inv	Nov. 3
Hogg Group	Sep. 30
Hong Kong Land	Sep. 18
Jardine Matheson	Sep. 28
Jardine Strategic	Sep. 23
Mandarin Oriental	Sep. 21
Scottish TV	Oct. 1
TT	Sep. 22

Finals-

Davies (DY)	Sep. 24
Savage	Oct. 8
Stakis	Dec. 21
Throgmorton Dual Trust	Sep. 24

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbott Mead	int	3†	Oct 30	2.8	-	8.4
Alumasc	fin	7.45	Oct 30	6.8	11	10
British Data	fin	1	Nov 11	-	1	-
Calor	int	6	Jan 4	6	-	12
CI	int	0.625	Jan 4	0.625	-	2.05
Close Bros	fin	5.5†	Oct 29	5	9.5	8.8
Community Hosp	fin	4.1	Nov 2	3.8	6.5	6
Dartmoor Inv Tst	int	2.5†	Oct 30	2.4	-	11.2
FBD §	int	2♣	Oct 23	1.6	-	3.6
Finlay (James)	int	2	Jan 5	2	-	4.15
Helical Bar	int	2.4	Oct 16	2.4	-	4
Kingspan	int	1♣	Oct 30	1	-	2.2
LGW §	int	1.125	Oct 30	nil	-	nil
Meggitt	int	1.25†	Dec 11	1.2	-	3.6
Nth Ind Improv't	fin	15	Jan 15	15	23	22
Quarto	int	1.6125	Dec 4	1.6125	-	5.25
Stag Furniture	int	1.5	Nov 23	2.5	-	6.5
Steel Burrill	int	4.25	Nov 5	4.25	-	13.25
Try	int	0.5	Oct 30	2	-	6
Waterford Foods	int	1.15♣†	Nov 6	1.1	-	2.62

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

Hoskyns plans job cuts to reduce central overheads

By Alan Cane

HOSKYNS, the computer services company, is making redundant 150 of its 3,000 employees in preparation for what it sees as a long haul to the end of the recession.

About one third of the total are senior managers. Mr Geoff Unwin, chairman, said the restructuring move was designed to reduce central overheads while leaving intact staff dealing directly with customers.

He said the business plan for the year had been based on a belief that the recession would have started to lift by the end of 1992. Yesterday he said there was no sign of an improvement, "and no compelling reason why there should be one. We are pessimistic about next year".

The company, which is owned by Cap Gemini Sogeti of France, Europe's leading computing services company, said it would further focus its activities on the finance sector and on outsourcing – running customers' computer systems for them – which have been traditional strengths.

The company had a unbroken record of growth until 1991 but the recession has hit the computing services sector hard as prospective customers have postponed or cancelled new projects.

At the half-year stage Hoskyns made pre-tax profits of £5.6m on sales of £95.7m.

Boots drug launch

Boots briefed analysts yesterday about Manoplax, its new heart drug, and announced it would launch the medicine in the UK on September 21. The company said it expected to receive licences in the US and France shortly, but refused to provide estimates of potential sales.

BDM beats flotation forecast

By Paul Taylor

BRITISH DATA Management, the London-based data storage and management specialist which was floated on the Stock Exchange just before the general election, yesterday reported full-year results ahead of its flotation forecasts.

Pre-tax profits in the year to June 30 more than doubled to £2.5m, against £1.14m a year earlier, comfortably beating the forecast of £2.36m.

Turnover increased to £13m (£12.7m), buoyed by strong demand from the offshore oil industry for data storage facilities.

Operating profits at £3.59m (£2.31m) also exceeded the £3.5m forecast at the end of March.

Helped by lower-than-expected tax charges and interest cost, earnings per share increased to 11.9p (7.8p) out of which the company will pay a maiden dividend of 1p, as expected.

Britannia Data Management, BDM's main operating subsidiary and the UK's largest contract storer of oil exploration data for leading oil companies, delivered the strongest performance, recording a 90 per cent increase in operating profits.

Britannia Storage Systems, the specialist racking systems company, also enjoyed "spectacular growth" with sharply higher operating profits. However, Eurocrate, although remaining profitable, suffered from the "severe impact of the recession on the domestic and commercial removals market."

Mr Stephen Crown, chairman, noted that during the year BDM set up additional data storage facilities in Aberdeen to service the buoyant market for off-site storage services required by the oil industry. He said demand since opening had been so strong that the group was now looking for a second Aberdeen property.

Despite the recession, Mr Crown said the volume of data stored and handled in the south-east continued to grow steadily. Reflecting this, BDM acquired the London-based data storage business of the Exclusive Group for £1.45m last month.

Since the end of the financial year BDM has won two new five-year contracts for library and data management services from British Petroleum, valued at more than £1.6m a year.

In addition, the group recently formed an alliance with US-based Ovation Data Services, which will now carry out all computer tape copying at BDM's storage site at Coulsdon in London.

Mr Crown said the main focus for the company in the next year will be to expand organically, "using our strong financial position to expand our presence in our chosen markets, including upgrading our information technology-based systems for ourselves and our customers."

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FINANCIAL TIMES SURVEY

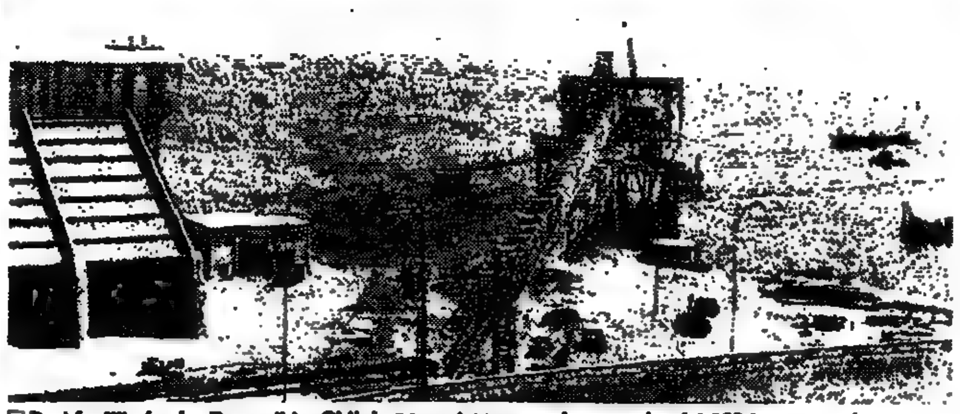
LATIN AMERICAN MINING

Thursday September 17 1992

Big international mining companies are intensifying their operations in Latin America. They are drawn by its wave of economic reforms and by the scale of its untapped mineral reserves. **Kenneth Gooding** reports

The continent rolls out the carpet

□ Wives of Bolivian tin miners back their husbands' grievances



□ Port facility for La Escondida, Chile's newest copper mine, can load 1,000 tonnes an hour

□ Break time in a four centuries-old Bolivian silver mine

NEARLY 200 Canadian and US mining companies are now operating in Latin America. They have been encouraged to look south by a convergence of two trends:

- The North American mining industry perceives itself to be beleaguered by increasing government restrictions, regulation and taxation while being constantly sniped at by a well-funded environmental lobby which is sapping public support for exploration and mining.
- Meanwhile, Latin American countries in recent years have become committed to financial and trade liberalisation, deregulation, tax reform, increased direct foreign investment, debt reduction and monetary and fiscal adjustment. This change in direction has been achieved at a time when democracy is spreading through the region.

Latin American countries are competing strongly for foreign investment dollars and technical expertise, are offering the mining industry preferred tax treatment, security of mineral tenure, government joint ventures and prompt government response to, and assistance with, development plans and proposals. Profits, when they are made by the foreign mining investor, can be repatriated and even capital can be returned – an important consideration because no mine lasts for ever.

Environmental and safety standards applied in Latin America are comparable with those in the US and Canada but the permitting process now is very much quicker. For example, Cambior, a Canadian company, is bringing a big (250,000 ounces a year) gold mine into production in Guyana in only two years. Miners claim this would not have been possible in North America.

Then there is the associated cost – between 6 and 10 per cent of the cost of a new gold mine in North America today goes on environmental review and permitting. Moreover, companies can often acquire assets in Latin America at prices equivalent to one-third of those in the US or Canada.

Latin America has a long mining tradition so skilled labour is available but pay is much lower than in Canada or the US. An experienced miner in the region earns about $1 an hour. Add on social benefits of 50 cents and the total cost to a company is $1.50 an hour which is roughly one tenth of the cost of a miner in a comparable job in Canada or the US.

Of course, there are also some drawbacks to mining in Latin America. The greatest is the political risk.

With few exceptions, the nations of Latin America have a history of revolution, political overthrow, dictatorship, military rule, nationalisation of foreign investment, frequent rampant inflation, currency destruction and extreme poverty for most of their people.

However, a number of Latin American nations have adopted "Brady Plan" economics and are working with commercial bank lenders to re-arrange their outstanding non-performing debt. Serious attempts are being made to balance budgets. Inflation rates are below 30 per cent and still falling. Tight money policies are in vogue, tariffs are being reduced, economic deregulation is current, free trade agreements between neighbouring states ahd regional economic integration are making some progress.

Now the debt crisis seems to have passed, Latin America is again attracting international finance. Last year the international community invested $12bn in Latin America, much more than went into eastern Europe ($2.3bn) and about half the investment in North America ($22.2bn).

Nevertheless, the free-market reforms sweeping Latin America remain tenuous, partly because few of its nations have established sound institutions on which democracy and a capitalist economy can be firmly built.

Since the begining of this year Venezuela has been shaken by an army uprising; Peru's President Alberto Fujimori seized dictatorial power; Bolivia's president Jaime Paz Zamora threatened to close congress; and President Fernando Collor de Mello of Brazil faces possible impeachment.

Peru also temporarily pulled out of the Andean Pact, the regional trading agreement. This might seriously affect its mining industry as metal exports to other Pact countries will now attract duty.

This sequence of political events must have given those mining companies already committed to Latin America cause for concern. But what of those wondering whether to take the plunge?

To attract mining companies, a country or region must have the right type of geology and a favourable "enabling" environment – that is infrastructure, legal systems, official policies and institutional development.

There is no doubt about Latin America's geological potential. Already it provides about one third of the western world's copper, one third of the tin, about one quarter of the bauxite (the (raw material for aluminium) and more than 10 per cent of the gold.

Mining companies at present are searching primarily (in order of preference) for copper, gold and zinc in Chile; for silver and copper in Mexico; tin, gold, copper and zinc in Bolivia; copper, zinc and gold in Peru; copper in Argentina; copper and gold in Panama; nickel and gold in Venezuela and gold in Costa Rica.

One bonus for the incoming mining companies is that much of Latin America has not been properly surveyed for mineral wealth so the potential for bagging an elephant (miner's jargon for finding a really huge mineral deposit) is much greater than in North America. The most favourable mineral potential seems to be in an area along the Andes mountains, extending from northern Peru to the southern tip of South America. There is also the so-called "Venezuelan Arch" which extends across Venezuela, Guyana and Surinam and has considerable base metal and gold potential. And Brazil is known to have vast reserves of minerals.

As for the "enabling" environment, governments have been doing their best to change the rules and regulations to help encourage inward mining investment, frequently following (with some modifications) a pattern pioneered by Chile.

This allows repatriation of capital and profits with limited restrictions while total taxes on profits are generally 30 per cent or less. (The marginal corporation tax rate in Canada is 49 per cent).

Brazil is the outstanding exception because of a clause in its 1988 constitution that prohibits foreign companies from holding majority interests in mining operations. Since that was enacted, investment by international mining companies in Brazil has slumped from $37.5m a year to $2.2m.

In some countries road and rail networks are poor, finding enough water can often be a problem and electricity supplies can be unreliable, particularly during the present drought which is badly affecting hydro-electricity supply in the north of the region.

Guerrilla activity is also a fact of life and death in Latin America and guerrillas with political motives frequently take violent action against mines to make their point. Security costs can be high.

Individual wildcat miners, or garimpeiros, can also be a threat. They will often swarm in when a rich deposit is found and can remove a remarkable tonnage of ore in a very short space of time. They pay no attention to ownership rights but governments are often reluctant to take action against garimpeiros, particularly if they are in a remote area.

Nevertheless, in spite of the political and other risks, analysts expect a steady stream of mining newcomers to arrive in Latin America for some years to come. North American companies in particular are being driven south by spiralling environmental and operational costs, high taxes and lack of exploration incentives at home. Most important of all, good and large-scale ore bodies have become very difficult to find in Canada and the US.

□ Primitive conditions: Serra Pelada gold mine near Marabá city, in Pará state, north Brazil

■ BRAZIL

Swing to nationalism deters the investors

AS A result of its nationalistic restrictions combined with domestic recession, Brazil's mining sector is suffering a dramatic investment crisis, in spite of having one of the world's richest subsoils.

While other countries in Latin America have been busily changing their laws to encourage and compete over inward investment, Brazil's mining code of 1988 seems positively designed to frighten off foreign investors.

Mr John Guzman, head of Rio Tinto Zinc in Brazil, says "if there's one sure way to discourage foreign investment it is the current law which is totally out of step with the rest of the world. Instead of protecting the country it is hurting it."

According to figures of the National Mining Department (DNPM), investment is now down to a fifth of what it was 10 years ago and fell from \$122m in 1988 to \$46.2m in 1990. Last year it was even lower.

Brazil is one of the world's biggest producers of tin, bauxite, aluminium and iron ore. Its iron ore reserves are believed to be equivalent to about a third of the world's total, its bauxite reserves are the largest in Latin America and it has important deposits of manganese, zinc, gold, tin, copper, kaolin, chromium and precious and semi-precious stones among many others.

Yet relatively few of these minerals have been produced in significant quantities and Brazil's current mineral production represents only about 2 per cent of GDP – far below its potential. The fall in investment is expected to result in an increase in mineral imports by the end of this decade.

BRAZIL MINERAL OUTPUT TONNAGE (excludes oil and gas)

	1990 (revised)	1991 (provisional)
Bauxite	9,678,203	10,310,000
Asbestos	232,332	233,100
Kaolin	710,000	832,600
Lead (1)	9,291	8,600
Copper (1)	34,441	37,000
Chromite	256,453	336,900
Diatomite	13,279	12,400
Tin (1)	29,149	29,300
Iron ore	152,250,000	150,000,000
Natural phosphate	2,967,916	3,278,600
Fluorite: acid grade	59,630	54,800
Met. grade	24,850	46,900
Gypsum	827,953	880,300
Manganese	2,361,718	1,986,800
Pyrochlore	17,848	18,100
Nickel (1)	1,459,247	1,590,000
Gold (kilogrammes)	101,728	89,109
Scheelite (1)	513	300
Zinc (1)	132,000	134,100

(1) metal in concentrate. Source: DNPM/DPEM

Mr Jose Mizael, executive secretary of the Brazilian Mining Institute, attributes the situation largely to the restrictions on foreign investment introduced in the highly nationalist 1966 Constitution. This prohibits foreign companies from participating in the mining sector unless they have a majority Brazilian partner. Those already operating in Brazil must find a local partner to take control or industrialise production by this October to process minerals, or leave.

Brazil is one of the biggest producers of tin, bauxite and aluminium and contains a third of the world's iron ore

Brazilian partners are hard to find in the current economic climate with recession in its third year and interest rates at more than 30 per cent a month, and Brazilian business has little tradition of investing in the mining sector where returns can often take 10 years. Around half of current total investment is provided by Companhia Vale do Rio Doce (CVRD), the well respected state mining company, but state companies have had their budgets slashed as part of the government's austerity programme.

The 1988 Constitution could hardly have been more effective at deterring foreign investment in mining. Those foreign companies that had already industrialised such as RTZ, which has been in Brazil 20 years, stayed but those which were exploring have pulled out or significantly reduced investments.

The country's backward mining code is not the only impediment. Much of Brazil's untapped mineral wealth lies in remote parts of the Amazon where lack of infrastructure means high transport costs and environmental concerns mean taking special, and often costly, measures. Some is in the territory of Indian reserves where Congressional approval is required for exploration.

Consequently until now the Amazon has largely remained the territory of garimpeiros – wildcat gold or tin miners who operate illegally throughout the jungle. Efforts in 1990 by the government of President Fernando Collor to wipe out the estimated 300,000 garimpeiros by dynamiting their airstrips petered out but lower gold prices and an exhaustion of easily accessible gold has reduced garimpeiro production. According to the DNPM, last year for the first time production from mining companies outweighed that from garimpeiros.

What formal investment is going on in mining is aimed at maintaining Brazil's place in the world rather than advancing production. Last year mining production fell around 2.8 per cent to around \$10bn mainly because of a decrease in gold and iron production. Gold production fell 12.4 per cent to 90 tonnes while iron ore production fell 1.5 per cent to 150m tonnes. Exports increased 7.2 per cent to \$3.05bn of which 85 per cent was iron ore, but the country had a mineral trade deficit of nearly \$2bn largely due to petroleum imports.

The country's only new large project in recent years was Carajas, the world's biggest high grade iron ore mine with estimated reserves of 1.4bn tonnes. Built by CVRD, the \$4bn project, which involves a special railway and port, has been coming on line since 1983. Situated in the Eastern Amazon the project has won worldwide credit for showing that environment and development can coexist.

As a direct effect of falling investment, Brazil has had no significant discovery for more than a decade despite its considerable mineral riches and the situation is expected to deteriorate. More than half the country's geologists are unemployed and Mr Otto Bittencourt, a director of DNPM, says, "we've retarded the discovery of new minerals. Geological mapping is falling further behind and this will have a very negative effect in the future". He points out that a recent World Bank report said Brazil's mining sector has capacity to absorb average investments of \$300m a year.

In response to the situation, the Collor government has sent a project to Congress to end the discrimination against foreign capital as part of its modernisation programme. Mr Bittencourt says, "everyone's competing for investments so we need to make sure we at least offer the same conditions".

However, although there is considerable consensus behind the change, constitutional amendments require a three-fifths vote and, with Mr Collor currently besieged by a torrent of allegations of corruption which could result in his impeachment, the new legislation is unlikely to be approved in the near future. Moreover, if Mr Collor does not survive, his successor, Mr Itamar Franco, the current vice-president, is expected to bring in as minister of mines Mr Aureliano Chaves, a man known for his strong nationalist tendencies.

More than half the geologists are unemployed and there has been no big find for over a decade

Christina Lamb

■ BOLIVIA

State giant fights a losing battle

BOLIVIAN mining has two faces. There is the public face which is crumbling, and the private face which looks better with each passing day.

Unfortunately for cash starved Bolivia, potential private investors take one look at the state mining corporation, Comibol, and get the jitters about the industry as a whole. They should not do so because Bolivia has many thriving private mining enterprises, which are the key to the country's long-term prospects.

In the public sector, the present government has introduced a new mining code and opened up Comibol to joint ventures with private corporations. Unfortunately no amount of legislation will reform this loss-making, bloated and inefficient organisation. Relatively strong mining unions realise joint ventures mean the end of their political clout and are fighting them all the way.

In contrast, the government is weak, disorientated and coming up for re-election. Comibol's entrenched middle management and technicians, knowing that joint ventures will cost them their jobs, seems to be doing their utmost to delay and dismiss such deals.

Since the concept of joint ventures was first touted as the way ahead for Comibol in 1991, only two deals have been signed, though leasing contracts are fairly common. So far, three companies: Minproc, Cominesa, and a subsidiary of Brazil's Paranapanema, are still unable to start up operations due to industrial action.

Comibol recently acquired a new president, Mr Marcelo Perez, a committed free marketeer with no mining experience, and the much criticised Comibol board is strongly rumoured to be about to undergo a major shake-up.

But while the government continues to refuse to tackle middle management and unions, potential joint venture partners with Comibol can expect much frustration and disappointment.

Nevertheless, there is an incentive for change in the form of the World Bank, which has been withholding a \$35m mining credit originally approved in 1989, \$22m of which is earmarked for the restructuring of Comibol.

Some say that the state-owned Comibol should be starved of funds and left to die a natural death

A team from the World Bank has visited Bolivia to evaluate recent rearrangements within the corporation, which, apart from a new president, include a major redundancy programme. The team may release the credit, but is likely to insist on Comibol jettisoning its mining interests and concentrating solely on administering joint venture contracts. There is a view, however, that it would perhaps be better if Comibol was starved of funds and left to die a natural death.

Alternatively, under a new government, Comibol might be disposed of altogether. This is the preference of planning minister Samuel Doria Medina, who is convinced that the country's constitution will be altered to allow the full-scale privatisation of the corporation some time next year.

In contrast, the Medium Mines Association, an umbrella organisation of medium-sized private mining concerns, continues to go from strength to strength, thanks to its ability to adapt far faster than Comibol to changing market conditions.

Rolando Jordan, the Association's general secretary, explains: "The 1985 crash in tin prices showed us that our industry was built on the basis of continuing high prices. We have learnt our lesson. New mining operations we subsequently embarked on used modern mining techniques and philosophies."

Overall investment in mining continues to rise, from \$53.1m in 1989 to \$90.7m in 1990 and \$96.1m in 1991. Although growth last year was a disappointing 2 per cent, the dynamic period from 1987 to 1990 saw significant increases of between 14 and 53 per cent.

Growth in the Medium Mines was around 3.6 per cent for the first half of this year. However, the ground is being prepared for an early revival. Inti Raymi, a subsidiary of Battle Mountain Gold, is investing some \$170m in its existing gold and silver operations and investigating a promising copper and gold deposit.

RTZ has uncovered a gold deposit in Puquio Norte, which is to be exploited by Comsur – one example of a successful private joint venture partnership. Cyprus Minerals is confident of finalising a joint venture exploration deal with Comibol covering 100,000 hectares in the Los Lipez region.

However, Bolivia's traditional production – tin, tungsten, wolfram and antimony – is geared to survival rather than profit at present. Mr Jordan of Medium Mines acknowledges that five of his current 22 members may be forced to drop out of the organisation by the year's end as a result.

□ Bolivian troops protect Canadians from locals angry at foreigners receiving mineral rights

In contrast, zinc and silver continue to break production records. Copper and gold are also showing some promise. But it is polymetallic seams – containing silver, zinc, tin and lead – which excite the most interest. The problem in this field is that concentrations tend to be small and transport costs will be crucial to determine viability.

Indeed, infrastructure in general is perhaps the greatest physical problem facing mining companies in Bolivia. This is a country roughly twice the size of Spain. Yet much of it is without roads, electricity or communications links.

Mr Marcial Garcia, exploration manager with Cyprus Minerals in Bolivia, says: "The government needs to invest in infrastructure before many mining projects can become feasible."

This year's public investment programme is worth just \$470m, although the figure is up on last year and will continue to rise in 1993, according to finance minister Jorge Quiroga.

One project which may help is a proposed road which would link Bolivia to the Pacific Coast. And Peru recently granted Bolivia access to the sea through the as yet undeveloped port of Ilo.

While labour problems significantly affect Comibol and its joint venture partners, the situation could change as private ownership of mines becomes more established.

Unions are utterly opposed to what they call "privatisation through the back door." However, individual miners are aware that profitable private companies provide better pay and conditions. Miners in existing private operations are far less prone to industrial action than their public sector counterparts.

The message for potential investors in Bolivia is that mining is composed of two separate entities: public and private. Those brave souls ready to tackle the public sector will need ample reserves of patience, perseverance and political skill. In contrast, many private sector ventures in Bolivia do work, and work well.

Chris Philipsborn

■ VENEZUELA

The first signs of progress

GOVERNMENTS in Venezuela have been talking for years about the country's mining potential but have achieved few concrete results.

However, the administration of President Carlos Andres Perez, elected for a five-year term in early 1989, is now making tangible progress. In 1990, the Perez government broadly liberalised rules on foreign investment. Last year it reduced the maximum corporate tax rate to 30 per cent, an important advance for potential investors, since most mining activities previously were taxed at around 60 per cent of operating profits.

These measures, with other reforms that are turning Venezuela into a more open and competitive economy, have helped to make mining more attractive to private investors.

In spite of these advances, the overall figures on Venezuelan mining in 1991 were not very encouraging. The Central Bank reported that mining, which grew by 5.3 per cent in 1990, declined by 3.6 per cent last year even as the economy expanded vigorously.

The 1991 results were due principally to a sharp decline in gold and diamond production. A closer look, however, shows that some important advances are being made, especially in coal and bauxite, while new gold investments are under way.

● COAL: Output at Venezuela's largest coal mine, located in the Guasare coal fields of the western state of Zulia, reached 1.2m tonnes during the first half of 1992, close to the total of approximately 1.5m tonnes for full-year 1991.

Carbones del Guasare, the joint venture company that operates the open pit mine in Guasare, plans to reach total production of 3m tonnes this year. Its two partners, Carbozulia (wholly owned by the Venezuelan national oil company, PDVSA, and Agipcoal), are expected to decide later this year on whether they will invest in a rail and port infrastructure to help raise production to 20m tonnes per year by the end of the decade.

Last year saw a fall in gold and diamonds production but coal and bauxite output increased

Cavoven, a joint venture of Venezolana de Cementos, a private company, and Mitsubishi, produced more than 241,000 tonnes of coal in 1991 from its Fila Maestra mine in eastern Venezuela. It plans to reach 300,000 tonnes this year.

Other coal production, totalling less than 500,000 tonnes last year, came from mines – some of which produce coking coal – in the western state of Tachira. Coal exports in 1991 were 1.85m tonnes, up 122,000 tonnes – or 7 per cent – from 1990. Exports came from Guasare and Cavoven.

VENEZUELA MINERAL OUTPUT ('000t)

	1990	1991
Bauxite	702	2,100
Alumina	1,405	1,500
Aluminium	595	605
Iron ore	20,120	19,959
Coal	1,572	2,500 (est)
Gold (kg)	7,700	n.a.

Source: Mining Annual Review 1992

Most of Venezuela's coal is exported. The largest markets, in descending order, are the EC, Scandinavia, the US and the Caribbean. Apart from Agipcoal, which is considering a large investment to expand output at the Paso Diablo mine, other international companies are studying new investments at other sites in the Guasare fields, which have proven reserves of 353m tonnes and identified reserves of over 2bn tonnes.

These companies include Shell Coal and Veba Oel, which last year completed geotechnical and hydrological studies at the Socuy mine site; A.T. Massey Coal and Cavoven, which explored the Mina Norte site; and Cyprus Coal which is exploring the Cachiri site with Carbozulia.

● BAUXITE: After years of delays, the government is also making progress in increasing production at its bauxite mine in Los Pijiguaos, among the jungles of southeastern Venezuela. Bauxiven, which runs the mine, produced 1.94m tonnes of bauxite in 1991, up sharply from 1990's total of 771,000 tonnes.

The company made a slow start this year, producing only 270,000 tonnes between January and June. But officials say that production was down due to the installation of new equipment designed to raise the mine's capacity to 3.5m tonnes a year and higher. Bauxiven is still shooting for a production target of 3-3.5m tonnes for full-year 1992.

● GOLD: Production of gold and diamonds (the latter are often found in deposits of alluvial gold) declined sharply last year due mainly to a contraction in the number of individual miners working sites in the southeast state of Bolivar. The rich alluvial and underground gold deposits in Bolivar are worked chiefly by thousands of free-lance miners, many of them – like the "garimpeiros" from Brazil – working in Venezuela illegally.

Gold is also mined by a variety of companies, including government-owned Minerven, which produced two tonnes of gold in 1991 and 784 kilograms during the first half of this year. Accurate production figures are not available due to the large number of illegal miners. Private sector sources estimate last year's total gold output at 11-12 tonnes, down from estimates in previous years of around 20 tonnes. (The government said that production in 1988 may have reached 27 tonnes, but other sources consider this quite high.)

Thousands of freelance miners work the rich gold deposits, many of them illegally

Monarch Resources, a Bermuda-based company, is currently developing the largest gold mining project in Venezuela. Monarch, which has been operating in Venezuela since 1987, is investing \$23m to develop a new mine – La Camorra – in Bolivar state. It began developing the mine in June of this year. Monarch also has 10 geologists and a support staff of 75 exploring additional prospects, and is investing \$3m on exploration this year alone.

The company also operates a tailings mill (Revemin) which last year produced 800 kg of gold. Monarch, with a total payroll of 300 in Venezuela, has invested around \$40m in the country thus far. It reported a loss of \$2.9m in 1991. In addition, Canada's Placer Dome is exploring in Bolivar state and is studying the possibility of a plant to process tailings. Greenwich Resources also has a small gold operation in Bolivar.

● IRON ORE: Iron ore, which is mined and marketed by the state-owned Ferrominera del Orinoco, has been a staple export product for Venezuela for decades. Ferrominera in 1975 took over mining operations formerly owned by US Steel and Bethlehem Steel when the government decided to nationalise the iron ore sector. However, the present government is studying the privatisation of an iron ore pellet plant it owns and wants international investors to build plants to produce pre-reduced iron-ore briquettes for export.

Joseph Mann

■ CHILE

Prepared for lift-off

MINING in Chile is poised for a dramatic expansion in the mid-1990s.

The Chilean Copper Commission, Cochilco, estimates mining companies will invest almost $5bn before the end of the decade to explore, develop, or expand projects.

Chile is the world's leading copper producer, and about $4bn of this foreign investment is being channelled into new copper mines. The country has one-quarter of the world's copper reserves. Cochilco estimates new investments will raise Chile's copper production from 1.81m tonnes in 1991 (almost a quarter of the western world's output) to 2.18m tones by 1994.

Some $560m in gold projects will move Chile up the ladder of the world's top 10 gold producers (with silver as an important side product). A further $405m is being invested in non-metallics, such as iodine and nitrates.

More than half of Chile's copper is mined by Codelco, the state-owned Chilean Copper Corporation. But Codelco's four mines, including Chuquicamata, the world's largest, are old. Production is in decline, operating costs are rising, and the powerful Copper Workers' Union, with 19,000 members, has blocked management plans to reduce overmanning.

"The strength of the labour unions in Codelco is of genuine concern...and a drag on the industry's development," says Mr Heikki Solin, the chief executive of Outokumpu Copper Resources. However, he notes that new mines have been successful in dismantling restrictive labour practices.

At La Escondida, Chile's newest copper mine, for example, the 850 miners are not unionised. They work four 12-hour shifts and have four days off. "The effects on productivity are astounding, with almost double the tonnes per man-hour compared with the much older Chuquicamata mine," Mr Solin says. Other mining executives in Chile say they have side-stepped the union issue by hiring the services of contractors.

Codelco has launched an exploration drive to find new reserves. It is close to a decision on whether to develop Chuqui Norte, a large deposit close to Chuquicamata.

Most of Chile's increased copper output, however, will come from private sector projects. Leading the wave of foreign investment, La Escondida, the richest copper deposit in the world, entered production in December 1990. La Escondida is owned by BHP of Australia, RTZ and a consortium of Japanese smelters led by Mitsubishi.

To finance the $900m venture, La Escondida sold 77 per cent of its output in advance in 12-year contracts to smelters in Japan, Germany and Finland. The giant project in the Atacama desert was completed six months ahead of schedule.

Mr John Hannah, La Escondida's president, says this is a tribute to the organisation and engineering skills of Chilean contractors. La Escondida is gearing up to full capacity this year. It will produce the equivalent of 320,000 tonnes of copper (four per cent of world output) in the form of concentrates (a semi-refined product) at its turquoise blue concentrator plant in the Atacama desert.

The concentrates are slurried down a pipeline to its own port facilities at Coloso, south of Antofagasta. La Escondida's production makes it the second biggest copper operation in the world. In February, Mr Hannah announced that La Escondida would step up production by a further 80,000 tonnes – the output of a medium-sized mine – by 1994. It is testing a method to process the extra tonnage into pure copper cathodes using a new electrolytic technique that does not require smelting.

Exxon Minerals of the US is close to completing a $400m expansion programme at its Los Bronces copper mine that will double production to 200,000 tonnes a year. Phelps Dodge of the US, which is expanding its Ojos del Salado mine, also plans to develop a deposit known as La Candelaria, which is being dubbed as Chile's new Escondida. The company is currently searching for financial backers for the $400m-project which would produce approximately 90,000 tonnes of copper a year.

Outokumpu of Finland is close to a decision on whether to develop its Zaldivar deposit, a stone's throw away from La Escondida. Zaldivar would require a $300m investment to bring into production. A similar amount is being sought by Cominco of Canada for its Quebrada Blanca deposit. Finally, Royal Dutch/Shell, Falconbridge and Chevron are exploring the Collahuasi deposit close to the Bolivian border.

The wealth of mining projects, concentrated mainly in Chile's desert north, is putting a strain on the country's underdeveloped infrastructure. Finding water in the driest desert in the world is as much a priority as striking a rich mineral deposit. Electricity is also in short supply.

Port facilities are deficient. La Escondida chose to build its own, rather than compete with Codelco for Antofagasta's over-stretched docks. Phelps Dodge, which would ship La Candelaria's concentrates from the small port of Caldera, is encountering opposition from local fishermen.

Another frequent complaint of foreign mining companies concerns the significant litigation costs incurred in defending property rights. "There are many savvy Chileans who have become millionaires by slapping property claims on prospected sites," says one executive in Santiago.

These concerns found their way on to a report to the US Congress on American trade and investment in Chile. In the report, one US company said it had abandoned its mining projects in Chile after spending $1.5m in legal fees to defend its property claim. The company said 37 rival concession claims were stacked against its claim on the basis of a typographical error in its paperwork.

The Mining Ministry acknowledges that over-staking is a problem. It says it is trying to improve its record keeping for property claims and simplify the paper-work.

Leslie Crawford

CHILE'S NON-FERROUS METAL PRODUCTION

	1990	1991
Metal mining (t)		
Copper - total	1,616,261	1,855,182
of which CODELCO	1,195,374	1,125,478
Others	420,887	729,704
Molybdenum	13,830	14,434
Precious metals (kg)		
Gold	27,503	28,677
Silver	654,603	673,657
Complex sulphides (t)		
Lead	1,120	1,050
Zinc	25,058	30,998

Source: Mining Annual Review 1992

■ PERU

Bargains on offer

IN PERU'S most serious sortie yet into privatisation it has put its state-owned mining companies up for sale, including Centromin, which employs some 15,000 at its seven central Andean mines and huge refinery complex as well as Minero-Peru and Hierro Peru.

The government expects to have valuations by mid-November of Minero-Peru's four principal operations (the Cerro Verde copper deposits, San Antonio de Poto's goldfield, and two refineries, for zinc at Cajamarquilla and copper at Ilo). Iron monopoly Hierro Peru should be disposed of before the year ends.

Investors are likely to pick up state holdings – to be split into individual production units for the purposes of sale – at bargain-basement prices. In the present uncertain economic and political climate (the de facto regime has called elections for November 22) Peru's government knows the traditional valuation process is almost meaningless.

"Prices obtained will have little to do with real asset value," says Mr Carlos Diez Canseco, the National Mining Society's (SNM) vice-president. "Projected cash flow will be the important factor." He reports lively interest particularly from Canada, Chile and Australia.

Geologically, Peru is the most interesting and varied country in Latin America. It ranks among the world's top seven mining countries with between 10 and 20 per cent of total copper and silver reserves and about 7 per cent of all zinc. There are also important deposits of many other sought-after minerals, with gold rapidly emerging as a leader.

Minerals and metals exports bring in some $1.6bn a year in foreign exchange, equivalent last year to around 57 per cent of all export revenues.

Yet it is estimated that only 12 per cent of Peru's mining potential is currently being exploited. Since the military government's nationalisation of leading foreign-owned companies in the early 1970s, the sector has suffered from desperately inadequate levels of investment in new exploration and modern technology.

The only large company with a track record of sustained growth is Southern Peru Copper Corporation (SPCC), producer of two-thirds of the country's copper – it has never left US hands.

For years, buoyant international minerals prices and low domestic costs masked the growing crisis in Peru's mines. But a combination of plummeting world metals prices, rocketing inflation and local interest rates, plus a heavily overvalued currency, have hammered the industry since the late 1980s. To add to producers' woes, mining – treated by Peruvian governments as a convenient cash cow – has borne a crushing fiscal burden. Indebtedness within the sector is running at record levels.

But things are looking up. The SNM has recently had one success in its long-running battle with the government: as from August, the sector is enjoying some relief with the extension of a tax drawback scheme, previously available only to Peru's beleaguered silver producers, to the entire sector.

"It's the equivalent of a 10 per cent currency devaluation for miners," comments Mr Diez Canseco., "However, we still have to make the government see sense and exempt the sector from the selective tax on fuel." Severe nationwide electricity shortages mean more and more mines are obliged increasingly to rely on costly petroleum.

The tax reprieve came as the industry was claiming to be near total collapse. Peru's thousands of small "artisanal" mines have all but disappeared while a quarter of the 60 or so medium-sized operations, backbone of the country's industry, have been forced either to close temporarily or to reduce personnel dramatically. The spectacle of out-of-work miners begging from passing lorries on Peru's central highway has become distressingly common.

Only two mining companies ended 1991 with a positive balance sheet – in first half 1992 that increased to four, with SPCC clawing its way back from a $39m 1991 loss to a still small profit after a severe cost-cutting exercise.

SPCC, at least, is demonstrating faith in Peru's future. In the wake of settlement of a long-standing dispute with the Peruvian government, the company has embarked on a $300m investment programme over the next five years. Two electro-winning plants scheduled to produce almost 40,000 tonnes a year of copper cathodes, a sulphuric acid capture plant and a package of environmental improvements add up to SPCC's largest single investment in Peru since the mid-1970s.

Newmont Mining Corporation, in conjunction with Peru's old-established mining concern Buenaventura, is also putting an initial $36m into what promises to be a highly profitable gold operation at Yanacocha, northern Peru.

Given the operational problems in Peru – from terrorism to political uncertainty – investments are almost certain to be joint ventures. Several medium-sized mining companies which have long-established links with foreign buyers are in talks over expansion or new investment.

The regulations are attractive for those bold enough to invest in a country where two guerrilla groups still operate with relative freedom. Peru is now arguably the most liberal country in the Latin American continent in treatment of foreign capital; red-tape for foreign investors is a thing of the past and all profits and royalties can be freely remitted.

Peru's notoriously rigid labour stability laws have become far more flexible and labour is still cheap by international standards. Much room for improvement remains in productivity levels, however.

Principal deterrents to investment remain high security costs (equivalent to 5 per cent of sales revenue for certain mining companies, according to SNM estimates), and the still shaky macro-economic framework. But local managers expect substantial high-level interest in Centromin. "With decent management, most of these state operations could be turned round very quickly," says one.

Sally Bowen

☐ Young prospectors at Muzo, Colombia: a green stone with good fire could be worth a fortune

■ COLOMBIA

Coal, gold, emeralds

MINING has become one of the most dynamic sectors of the Colombian economy in the last decade.

It now contributes about 17 per cent of foreign income, even though the ambitious coal and nickel export projects have seen few ups and many downs in prices.

Yet this is just a fraction of what it might earn if the government could create the confidence needed to attract investors who currently perceive lower risks in Venezuela and Chile.

Both the Cerromatoso nickel plant and the huge Cerrejon coal mine were joint ventures involving substantial state investments. Coal prices are now far below those forecast when El Cerrejon was approved and the state coal company, Carbocol, accumulated a debt of more than $1.8bn as production grew to 14m tonnes a year. Although the government recently lightened the burden by shifting $1bn to the Colombian oil company and the nation, the country's first large-scale coal investment has been a bruising experience.

Partly because of this, the government wants to finance future mining ventures with private and foreign capital. There has been talk of privatising the state holding in Cerromatoso and several Colombian companies, as well as Drummond, a US concern, by developing the country's abundant steam coal reserve.

With exports worth $630m in 1991, Colombia is already the world's fourth coal supplier and plans to increase its share of the international market to more than 10 per cent. Domestic demand should also pick up as the government encourages new thermal power stations to reduce dependence on hydro-electricity.

But private companies operating in the La Loma-La Jagua region have been bedevilled by guerrilla actions and extortion, and coal projects are behind schedule. Although agreements with communities to put in water services or other infrastructure help gain local support, guerrilla demands have escalated in recent years. "If a company wants to work, you have to talk with people who represent the guerrillas," warned a Colombian geologist.

Mr Jairo Cuevas, manager of the state mining company, Mineralco, says investors are more concerned about legal and tax issues than about violence. A constitutional clause referring to expropriation is apparently to be defused by a congressional ruling. Recent tax changes allow all profits to be remitted, though the initial 12 per cent levy on remittances and the overall tax structure favour reinvestment. While the government is clearly anxious to attract capital as part of the whole process of opening up the economy, other sectors may discourage foreign investment in their determination to milk it.

There is no lack of opportunities, says Mr Cuevas: "Now more detailed exploration studies are needed. Projects have been identified and Mineralco has the technical – though not the financial – capacity to launch them."

Mineralco's main programmes are linked to precious metals and stones, particularly emeralds, but Mr Cuevas is also enthusiastic about finding partners to explore and develop copper deposits in the south-eastern foothills of the Andes. Products derived from phosphate-bearing rock nearby could be used in the recovery process.

Colombia is famous for its high-quality emeralds – and equally famous for the violence of the rival emerald mining gangs, which left more than 3,000 dead in the 1970s and 1980s. During the last two years an uneasy truce has allowed production to settle down, and the main players are planning to establish an international emerald bourse in Bogota. Some government officials welcome this as a way of "legalising" the emerald trade, but others fear that it could act as a "legal" umbrella for cocaine money-laundering.

Emerald exports were officially worth $150m in 1991, with most of the best stones going to Japan. Experts estimate that emeralds worth at least another $150m are smuggled out of the country each year. An exceptional deep green stone with good fire can fetch $25,000 or more per carat. While the companies dynamite and bulldoze for veins at the rock face, prospecting families sift through the black sludge and debris washed down from the mines, looking for the tiny gem that might represent a fortune once it gets past the thieves and sharp middle-men in the mining area.

Gold also attracts droves of prospectors, who are ravaging river-banks and polluting streams with mercury. Mineralco plans to bring in technical experts to improve the recovery rate and to find ways of reducing environmental damage. There is a 5 per cent discount on amalgam purchases by the Central Bank, partly to cover processing and partly to try and reduce mercury use.

"The geological potential in precious metals is phenomenal," said Mr Patrick Gorman of the US-based consulting firm, Puma Resources. "There is something for everybody in the gold business here. I know a number of people who are interested. But anything has to be done with a view to the long-term development of the country and with respect for the people already working in these areas."

Guainia and the Vaupes, two areas on the eastern border of Colombia with Brazil, are especially promising. Although the logistics would be complicated, inaccessible jungle has its advantages and there is little guerrilla influence in the area.

From the beginning of 1993, the gold market will no longer be controlled entirely by the Central Bank. Although Colombia has a 1,500-year-long tradition of fine goldwork, Italian technology is being used in the first two industrial jewellery ventures – one plant is due to start exporting gold chains next year. Already among the world's top 10 gold producers, Colombia could benefit from its low production costs and abundant reserves in times of relatively depressed international prices.

Sarita Kendall

Opec under pressure to drive up oil prices

By Neil Buckley in Geneva

PRESSURE was growing from some members of the Organisation of Petroleum Exporting Countries yesterday for action to drive oil prices up to their $21 a barrel target.

Prices have fallen by 15 per cent in real terms in the last two years, Dr Subroto, secretary general of the Organisation of Petroleum Exporting Countries, told the opening meeting of its Ministerial Monitoring Committee yesterday.

The weakness of the dollar had pushed real oil prices down by more than 6 percentage points since the last Opec meeting in May, Dr Subroto said in his report to delegates.

A composite price index taking into account inflation and exchange rate changes had fallen from a base of 100 in July 1990 to 90.8 in May this year, and to 84.47 in August.

His comments prompted Mr Gholamreza Aghazadeh, the Iranian oil minister, to insist that Opec should "seriously consider" taking action to raise prices towards the target set in 1990 of $21 a barrel for the Opec basket of crudes (equivalent to about $23 a barrel for Brent crude). The price stood at $19.64 as the meeting began yesterday.

Delegates said Mr Aghazadeh was strongly supported by other members, including Libya, Algeria, Indonesia and Venezuela.

They said there was widespread agreement among members that prices had to rise, in spite of indications from the Saudi Arabian and United Arab Emirates' oil ministers, as they arrived at the meeting, that they were happy with present prices.

Most analysts, however, were still expecting Opec to reach an agreement that would allow its members, except Kuwait, to continue pumping at present levels. Kuwait would be allowed to continue to raise production during the rebuilding of its oil industry after the Gulf war. Such an agreement would imply total Opec production in the fourth quarter of between 24.5m and 24.7m barrels a day.

With demand for Opec oil - including production and stocks - forecast at about 25.7m b/d by the International Energy Agency, Opec believed supply would be sufficiently tight to push prices up to $21 by the end of the year - or higher if the winter is unusually cold.

Opec is thought likely to roll over its third-quarter production ceiling of 22.98m with special dispensation for Kuwait, or to adopt a more "meaningful" quota of around 24.5m b/d.

Dr Subroto said Opec's estimate of demand for its oil was slightly lower than the IEA's, at 25.1m b/d. "It is up to the ministers to decide what the production level should be," he added.

Ministers met for about three hours yesterday morning before spending the afternoon in bilateral meetings. They are to meet again this morning for what some delegates suggested could be the final session.

Asarco tries again for minor stake in KGHM

By Chris Bobinski in Warsaw

ASARCO, the US metals producer, has renewed efforts to secure a minority share in Poland's KGHM copper mining and smelting combine amid new signs of labour unrest there.

Yesterday unions at KGHM called a 24-hour strike for September 23 after KGHM's new management refused to meet for pay talks in the wake of a six-week long strike suspended last month. They have threatened to resume their strike on October 6.

The strikers suspended the action last month after being told that increases would be made once new legislation easing wage controls had been passed by parliament.

The legislation has since been delayed and yesterday KGHM's management promised an interim pay settlement by the end of this month "in accordance with the company's financial possibilities".

Meanwhile Mr Robert Muth, an Asarco vice-president, has been meeting government officials in Warsaw this week. Asarco first signalled its plan last May.

Mr Muth had planned to talk to the KGHM management, but it did not want to see him while it is wrestling with the labour troubles.

Asarco is pressing the Polish government to grant them a three year management contract for KGHM.

A draft agreement being discussed with the Poles would give Asarco six months to negotiate the purchase of a minority share in KGHM after the expiry of the management contract.

The Poles would be bound to retain state control of the combine while KGHM was being managed by Asarco which pledges to maintain the present level of output unless instructed otherwise by the Polish government.

During the management period, Asarco would work on a long-term strategy for KGHM which would form the basis of its investment offer.

It also proposes to work towards enhancing KGHM's market value as well as working towards "international environmental, pay and work safety standards".

The Western Mining Corporation from Australia has also expressed a strong interest in investing in KGHM. KGHM produced 229,000 tonnes of refined copper in the first seven months of this year or 3.1 per cent more than in the same period last year.

CIS may raise level of aluminium exports

By Dmitri Volkov in St Petersburg

ALUMINIUM exports from the CIS are expected to run at last year's level of 843,000 tonnes - but, depending on movements in the world price, might exceed this figure by 100,000 tonnes.

Ivan Prokopov, president of the Russian state-owned aluminium concern covering smelters and refineries in Russia and the CIS, said the concern would "be selling as much (aluminium) abroad as necessary for us to buy raw materials, equipment and spare parts".

At an aluminium conference in St Petersburg on Wednesday, Mr Prokopov denied Russian responsibility for a decline in aluminium prices, which the West attributes to a sharp increase in Russian exports. He blamed cheap aluminium from Brazil, Venezuela, Australia and Canada.

> Russia plans to reduce aluminium export duties by more than half to help struggling domestic producers, a Russian government official told Reuters. Duties had been coming down steadily from 500 Ecus a tonne in January to the current 200 Ecus, he said. The planned cut was intended to help Russian aluminium producers cover spiralling costs and invest in new equipment.

However, Mr Prokopov admitted that independent CIS traders had contributed to the price fall.

Mr A Stephens Hutcraft jnr, president of Kaiser Aluminium, said the western aluminium industry could barely operate at the current level of world prices. He said that world prices now stood at $1,300 a tonne.

"The unexpected export of 900,000 tonnes from Russia (in 1991) caused prices to drop by around $450 a tonne as the year progressed," he said. He said tariffs and dumping claims were not an answer to this "new reality" and called for inter-government talks.

According to Mr Hodgcraft, the West will have to accommodate Russian exports of primary and scrap aluminium - "and it means we in the West must balance supply with demand while assuming for the near term an annual range of 500,000 - 750,000 tonnes exported from Russia"

The industry had lost "something close to $7bn" in 1991 because it did not accommodate the pressures.

Mr Valery Gazman, the deputy director of the International Fund for Privatisation and Foreign Investment in Russia, hoped Russian exports would become controlled once the new system of exporting strategic materials was enforced.

Under this system, 13 organisations were granted the right to export aluminium from September 1.

Mr Gazman also said the Russian government wanted a reduction of export tariffs for aluminium, from ECUs 200 - 75 a tonne.

Mr Prokopov said that after a decline in production of aluminium in the CIS last year, this year's output would stay on the 1991 level of 3.25m tonnes - 85 per cent of that produced in Russia.

He said that domestic demand could be increased by 15 to 20 per cent from 2.3 - 2.4m tonnes.

CIS smelting conditions attacked

By Kenneth Gooding in Pittsburgh

ENVIRONMENTAL conditions discovered in some aluminium smelters in the Commonwealth of Independent States by a team from the Aluminium Company of America were far worse than expected, said Mr Paul O'Neill, Alcoa's chairman, yesterday.

In some smelters conditions were so poor that the average life expectancy of a worker was only 47 years.

"There is no way we could be part of that," said Mr O'Neill. The team from Alcoa, the world's biggest aluminium company, went to see if the group had a role to play in the CIS. Mr O'Neill said: "I don't know if there is a place for Alcoa there. We are not willing to sacrifice our values to do business in an unseemly way in life-threatening circumstances."

On the other hand, he said the team found that the CIS had some leading aluminium technology arising from the former Soviet Union's willingness to provide unlimited resources for any material for military use. The CIS industry showed it could produce high quality products in "ghastly operating circumstances".

The Alcoa team was also impressed by the level of education throughout the CIS smelter workforces.

Mr O'Neill's comments coincided with a symposium in St Petersburg in Russia this week at which the CIS aluminium industry is putting itself on display, partly with the aim of encouraging more investment from western companies.

Mr O'Neill warned that the flood of aluminium exports from the CIS to the west "won't evaporate" and it was likely that exports of semi-fabricated aluminium products would also build up. Neither was there any sign that the CIS domestic economy would revive enough in the medium term to absorb more of the metal its aluminium industry was producing.

Last year the CIS exported about 1m tonnes of aluminium, which helped drive the metals price down to its lowest-ever level in real terms. The market is still over supplied and some analysts believe there must be more output cuts by western producers if there is to be a strong price recovery.

Mr O'Neill said all Alcoa's smelters were generating a positive cashflow and unless that changed the group would not close any capacity.

However, neither would it invest in new smelter capacity until it was clear the industry could look forward to several years of aluminium prices of between 80 and 85 cents a pound. "Those conditions will come but I don't know when," he added. Last night cash aluminium closed at 57.5 cents a lb on the London Metal Exchange.

Statoil and PTT to trade jointly in south east Asia

By Karen Fosell in Oslo

STATOIL, the Norwegian state oil company, and PTT of Thailand, Thailand's state oil company, have agreed to trade crude oil products jointly in south east Asia from October, initially for one year.

Mrs Berit Oeyen, a spokeswoman for Statoil, said the agreement to trade crude oil products on an inter-regional and regional basis strengthened its foothold in the South East Asian markets and provided a good basis for the expansion of trading activities established in Singapore earlier this year.

Statoil will provide on-the-job training in crude oil products trading for PTT employees. The deal also includes a sales agreement in which Statoil will supply "large volumes" of refined crude oil products to PTT.

PTT is the largest importer in South East Asia of refined products and has a 25 per cent share of Thailand's downstream market. About 70 per cent of the country's oil consumption is met by imports. Last year, consumption was estimated at about 500,000 barrels a day, although Statoil believes it may be higher.

Statoil has crude oil access of about 1.2m barrels a day from the North Sea, European refining capacity of 200,000 barrels of oil a day and is the largest net exporter of North Sea quality crude oil. Norway is the world's fourth biggest net exporter of crude oil.

In addition, Statoil has hired refining capacity elsewhere in the world to meet the demand of refined products contracts.

Under the terms of the agreement, Statoil will be required to maintain storage capacity in Singapore to guarantee supply to PTT. To this end, Statoil has agreed to hire storage capacity from Oil Tanking, a subsidiary of UK-based Mabanaft.

The company is also negotiating refinery arrangements and expects to buy crude oil from the Middle East and South East Asia for refining.

Mrs Oeyen said another purpose of the agreement was to expand co-operation further with PTT. Statoil has a 10 per cent stake in the Bongkot gas field in the Thai gulf.

The field, operated by Total-CFP, is scheduled to come onstream in June 1993.

Brazil bauxite venture to cut exports by 600,000 tonnes

By Bill Hinchberger in Sao Paulo

MINERACAO Rio do Norte (MRN), a joint venture led by the state-owned Companhia Vale do Rio Doce (CVRD), responsible for 70 per cent of Brazil's bauxite output, will export 600,000 tonnes less this year than it did in 1991.

In 1991, MRN sold 8.1m tonnes of bauxite, of which 5.6m tonnes were exported. Mr Fabio Matos, president of Aluvale, CVRD's holding company for the aluminium sector, believes that overall sales will be about 7.5m tonnes this year, with 5m tonnes of exports. Total Brazilian bauxite production last year was 10.3m tonnes.

The main reason for the drop in exports is a sharp decline in orders from Venezuela. Sales to that country are expected to fall from 2m tonnes last year to 1.1m tonnes this year.

Mr Matos said that the reduction in exports to Venezuela was because of increased domestic output there. MRN has placed some of the bauxite normally destined for Venezuela in other markets, notably the former Soviet Union. He added, however, that "MRN has never had an aggressive sales policy because it has always had a captive market - the partners themselves".

CVRD controls 40 per cent of MRN. The other 60 per cent is divided among seven companies. Large shares are held by Alcan, the Canadian aluminium producer, and Alcoa, its American competitor. Those multi-nationals are also the two leading aluminium producers in Brazil.

The MRN bauxite mine is at Porto de Tombetas, near the northern bank of the Amazon River. Its capacity is about 8.5m tonnes a year, but this year's output will be less.

"We are adjusting production to demand," said Mr Matos. He added that MRN is also reducing output in order to draw down on high stocks from the beginning of this year, which totalled 700,000 tonnes. "Judging from the level of stocks at MRN, I don't see much capacity for recuperation in the aluminium market in the short term," he said.

Meanwhile, he denied reports that the Japanese government would delay its plans to invest in an aluminium plant because of the political and economic uncertainty in Brazil. He said that the 31 private partners, who along with the Japanese government make up a consortium called the Nippon Amazon Aluminum Company (NAAC), have agreed to resume investment in the Alunorte project. The plant was 30 per cent finished when construction was halted seven years ago because the Japanese partners balked at further investment.

Mr Matos said he expected approval from the Japanese government shortly. He estimated that about $830m of new investment would be needed.

The 1.1m tonnes annual capacity plant will produce alumina, the raw material for aluminium manufacturing, primarily to supply Albras, an aluminium ingot producer and another CVRD-NAAC joint venture. Mr Matos said that demand from Albras would be between 600,000 and 700,000 tonnes a year. The plant is expected to begin operating in mid-1995, reaching full production by the end of that year.

Loan aid to Brazil coffee growers

UP TO $200m in public loans has been rescheduled as the core of a package of measures announced by the Brazilian government in an effort to alleviate pressure on coffee producers, who are suffering from record low international prices, writes Bill Hinchberger in Sao Paulo.

The package awaits technical approval by the National Monetary Council, expected by the end of the month.

Under the plan, producers whose public sector loans came due by April will have their debts rescheduled over five years, with a two-year grace period. Loans due after April will be awarded six-month extensions if prices fall below 85 per cent of a referential price of between $65 and $73 per bag (60 kilos).

Federal officials rejected a minimum price guarantee scheme defended by, among others, officials in Sao Paulo, a leading coffee growing state.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices soared in London as heavy short covering was prompted by sterling's slump. The New York cocoa market was also well ahead by midday on sentiment that International Cocoa Organisation talks in London might result in Russia purchasing the ICCO's 235,000-tonne buffer stock. European bullion prices rose against the background of turmoil in the foreign exchanges. **GOLD** closed just over $3 higher at $349.40 a troy ounce in London. It has now risen almost $10 this week. With the foreign exchanges expected to remain uncertain and volatile until Sunday's French referendum on Maastricht, bullion's downside appears limited. On Comex the December gold contract had risen above key resistance at $351 an ounce for the third time by midday. The currency market turmoil led to thin trading on the LME and widely fluctuating base metal prices, dealers said. The currency factor was highlighted by the three-month **COPPER** price, which at the end of the afternoon kerb showed a £43 a tonne rise but a $13 fall from Tuesday. Dealers said the overall strength of the dollar was the main factor discouraging consumer interest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$18.50-8.60z	
Brent Blend (dated)	$20.45-0.50	-.025
Brent Blend (Nov)	$20.55-0.65	
W.T.I (1 pm est)	$22.05-2.10z	+0.05

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$218-220	-1
Gas Oil	$189-190	-2
Heavy Fuel Oil	$90-92	-1
Naphtha	$190-191	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$349.40	+3.05
Silver (per troy oz)♣	385.5c	+3.0
Platinum (per troy oz)	$365.75	+4.75
Palladium (per troy oz)	$92.25	+1.85
Copper (US Producer)	111.5c	
Lead (US Producer)	40.1c	
Tin (Kuala Lumpur market)	17.00r	
Tin (New York)	314.50c	+0.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.17p	-0.48*
Sheep (live weight)†♣	70.77p	-1.04*
Pigs (live weight)†	60.64	-1.05*
London daily sugar (raw)	$241.0w	-7.8
London daily sugar (white)	$270.5w	-4.0
Tate and Lyle export price	£237.5	-2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£149.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	53.00p	+0.00
Rubber (Nov)♥	53.00p	+0.50
Rubber (KL RSS No 1 Jul)	221.0m	-0.5
Coconut oil (Philippines)§	$510.0y	
Palm Oil (Malaysian)§	$392.5y	
Copra (Philippines)§	$322.5	+2.5
Soyabeans (US)	£136.0w	+1.5
Cotton "A" index	56.95	+0.45
Wooltops (64s Super)	388p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Oct/Nov w-Sep/Oct y-Nov/Dec u-Oct. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices.

SUGAR - London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	207.00	211.00	209.40	204.40
Dec	202.00	202.00	198.00	
MAR	199.00		200.40	
White	**Close**	**Previous**	**High/Low**	
Dec	258.00	260.00	260.00	255.70
Mar	261.00	262.70	262.50	258.20
May	262.80	265.60	262.50	
Aug	266.30	269.10	268.20	265.80
Oct	258.20	259.60	258.20	255.30

Turnover: Raw 85 (104) lots of 50 tonnes. White 804 (2743) Paris- White (FFr per tonne): Oct 1347.13 Dec 1383.05

CRUDE OIL - IPE $/barrel

	Close	Previous	High/Low	
Nov	20.63	20.56	20.67	20.39
Dec	20.63	20.55	20.65	20.39
Jan	20.54	20.48	20.56	20.32
Feb	20.43	20.40	20.44	20.21
Mar	20.26	20.25	20.20	
Apr	20.15		20.06	
IPE Index	20.56	20.59		

Turnover 22000 (33640)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Oct	189.75	192.50	191.50	189.00
Nov	193.00	[illegible]	[illegible]	191.75
Dec	195.25	197.00	196.75	193.50
Jan	195.00	196.75	196.75	193.50
Feb	191.50	193.25	192.00	190.25
Mar	184.75	187.50	186.00	184.50
Apr	180.00	182.75	181.25	180.00
May	178.00	180.50	179.25	178.00

Turnover 16500 (12131) lots of 100 tonnes

WOOL

Strength in the US dollar and thus in the Australian dollar has meant that buyers in other currencies effectively pay more for wool auctioned in Australia. The market there held firm at first but yesterday eased a little. The Australian Wool Corporation's market indicator which closed at 548 cents a kilogram last week, rose to 550 on September 15 and fell back to 542 cents on September 16. Higher United Kingdom interest rates are of serious concern directly to the industry and indirectly if reduced or delayed consumer expenditure on textiles results

COCOA - London FOX £/tonne

	Close	Previous	High/Low	
Sep	630	589	605	587
Dec	655	613	655	611
Mar	665	642	[illegible]	641
May	705	661	700	660
Jul	723	679	724	678
Sep	742	697	741	695
Dec	772	725	771	725
Mar	803	754	802	750
May	822		815	772

Turnover: 11582 (4631) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 15 757.19 (770.66) 10 day average for Sep 16 790.81 (793.11)

COFFEE - London FOX $/tonne

	Close	Previous	High/Low	
Sep	757	760	757	747
Nov	772	781	774	761
Jan	785	778	788	778
Mar	797	793	[illegible]	791
May	800	800	800	794
Jul	815		808	

Turnover:3332 (4181) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 15: Comp. daily 45.40 (44.85) 15 day average 46.19 (46.20)

POTATOES - London FOX £/tonne

	Close	Previous	High/Low	
Apr	54.3	54.8	56.0	53.9

Turnover 134 (164) lots of 20 tonnes.

SOYABEAL - London FOX £/tonne

	Close	Previous	High/Low
Oct	127.60	123.00	127.60

Turnover 3 (7) lots of 20 tonnes.

FREIGHT - London FOX $10/index point

	Close	Previous	High/Low	
Sep	1068		1068	1068
Oct	1154	1157	1155	1151
Nov	1155	1160	1155	
Jan	1190	1195	1190	
Apr	1255	1260	1255	
Jan	1325		1325	
BFI	1052			

Turnover 88 (110)

GRAINS - London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	115.70	115.40	115.70	115.45
Jan	119.30	118.70	119.30	118.70
Mar	122.50	121.85	122.50	121.80
May	126.00	125.15	126.00	125.55
Barley	**Close**	**Previous**	**High/Low**	
Sep	110.50	109.80	110.50	110.00
Nov	113.50	112.85	113.50	
Jan	117.50	116.75	117.50	116.75
Mar	120.50	119.50	120.50	
May	122.55		122.55	

Turnover: Wheat 88 (243), Barley 148 (85).
Turnover lots of 100 Tonnes.

PIGS - London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	101.5	101.5	101.0

Turnover:5 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 29,522 lots	
Cash	1268-9	1273-4		1265.5-6.0		
3 months	1289-90	1294-4.5	1294/1285	1286.5-7.0	1286-8	[illegible],745 lots
Copper, Grade A (£ per tonne)					Total daily turnover 36,917 lots	
Cash	1323-4	1289-90	1312/1292	1292.5-3.5		
3 months	1350-1	1314-5	1370/1313	[illegible]	1369-70	185,046 lots
Lead (£ per tonne)					Total daily turnover 3,573 lots	
Cash	342-4	334.5-5.5		[illegible]		
3 months	357-8	342-3	362/343	343.5-4.5	361-2	27,880 lots
Nickel ($ per tonne)					Total daily turnover 3,736 lots	
Cash	6965-75	7006-10		6955-65		
3 months	7040-5	7075-80	7060/7030	7030-5	7040-50	[illegible],870 lots
Tin ($ per tonne)					Total daily turnover 2,507 lots	
Cash	6735-55	6780-5		6780-5		
3 months	6780-800	6825-30	6830/6740	6825-30	6750-60	11,274 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 10,319 lots	
Cash	1374-6	1398-400	1377	1375-7		
3 months	1354-5	1359-60	1360/1351	1354-5	1363-4	68,553 lots

LME Closing £/$ rate: SPOT: 2.0000 3 months: 1.9905 6 months: 1.9891 9 months: 1.9781

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	349.20-349.60	
Opening	346.10-346.50	
Morning fix	346.20	184.788
Afternoon fix	349.00	189.777
Day's high	349.50-350.00	
Day's low	345.40-345.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.39	6 months	2.39
2 months	2.39	12 months	2.44
3 months	2.39		

Silver fix	p/troy oz	US cts equiv
Spot	206.50	383.80
3 months	212.05	386.60
6 months	218.70	389.60
12 months	230.45	396.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	345.50-347.50	185.00-188.00
Maple leaf	359.50-361.60	-
New Sovereign	84.00-86.00	45.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	27	39	4	15
1300	4	30	31	35
1350	3	13	77	68
Copper (Grade A)	**Calls**		**Puts**	
2350	70	94	6	35
2400	34	60	19	58
2450	13	44	48	83
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	78	95	6	11
750	42	61	20	28
800	19	35	47	50
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	46	81	16	21
650	32	65	27	30
675	21	52	41	42
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	61		18	31
2050	36	[illegible]	41	
2100	22	35	72	

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Oct	22.39	22.18	22.40	22.01
Nov	22.16	22.02	22.17	21.84
Dec	22.06	21.91	22.04	21.74
Jan	[illegible]	21.76	21.90	21.61
Feb	21.74	21.64	21.72	21.51
Mar	21.59	21.50	21.62	21.38
Apr	21.46	21.37	21.41	21.27
May	21.32	21.25	21.29	21.14
Jun	21.20	21.14	21.18	21.14
Jul	21.18	21.04	21.06	21.05

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Oct	6304	6309	6310	6210
Nov	6394	6405	6400	6300
Dec	6479	6490	6490	6470
Jan	6500	6518	6500	6420
Feb	6396	6418	6405	6320
Mar	6156	6173	6160	6090
Apr	5930	5958	5910	5900
May	5770	5808	5770	5760
Jun	5650	5718	5850	5650
Jul	5670	5693	5630	5630

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1005	997	1049	978
Mar	1058	1050	1095	1033
May	1085	1078	1125	1063
Jul	1123	1107	1130	1099
Sep	1152	1138	1158	1128
Dec	1190	1174	1196	1158
Mar	1227	1211	1244	1200
May	1252	1236	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	52.00	51.55	52.20	50.75
Dec	53.05	52.15	53.75	52.10
Mar	54.65	53.60	55.15	53.50
May	58.75	57.65	58.90	57.50
Jul	60.65	59.70	60.50	59.75
Sep	61.75	61.15	62.00	61.75
Dec	64.75	64.40	64.75	64.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.23	58.65	58.95	57.90
Dec	55.86	55.84	56.40	55.40
Mar	56.65	56.47	57.06	56.10
May	57.65	57.00	57.65	56.70
Jul	57.90	57.75	58.25	57.40
Oct	58.50	58.60	58.90	58.50
Dec	59.00	58.85	59.10	58.75
Mar	59.26	59.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	116.50	118.50	119.00	116.50
Nov	114.10	115.30	115.70	113.00
Jan	113.60	114.95	115.40	112.60
Mar	113.75	115.00	115.75	113.00
May	114.60	115.95	116.25	114.60
Jul	114.10	115.45	114.10	114.10
Sep	114.10	115.45	0	0
Nov	114.10	115.45	0	0
Jan	114.10	115.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 16	Sep 15	mnth ago	yr ago
1536.7	1531.0	1529.2	1641.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 15	Sep 14	mnth ago	yr ago
Spot	119.00	118.04	115.84	117.68
Futures	115.46	114.96	115.96	122.71

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	349.8	346.4	0	0
Oct	350.2	346.9	350.6	348.0
Nov	350.8	347.5	0	0
Dec	351.7	348.4	352.0	349.7
Feb	353.2	349.9	353.5	351.2
Apr	354.6	351.3	354.8	353.6
Jun	356.2	352.9	356.0	354.2
Aug	357.9	354.6	0	0
Oct	359.6	356.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	367.4	[illegible]	368.0	365.0
Jan	365.4	362.9	366.0	364.0
Apr	363.9	361.4	364.0	363.4
Jul	364.2	362.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	382.1	380.6	385.0	381.5
Oct	382.2	380.7	382.0	382.0
Nov	383.0	[illegible]	0	0
Dec	384.7	383.2	387.0	384.0
Jan	386.0	384.5	0	0
Mar	388.5	386.9	[illegible]	388.0
May	391.0	389.4	391.5	391.5
Jul	393.3	391.7	394.5	394.0
Sep	395.7	394.1	0	0
Dec	399.7	398.1	401.0	400.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	107.50	106.95	107.50	106.40
Oct	107.75	107.20	107.65	107.30
Nov	108.20	107.65	0	0
Dec	108.40	107.90	108.50	107.10
Jan	108.45	107.90	0	0
Feb	108.45	107.90	0	0
Mar	108.50	107.95	108.50	107.40
Apr	108.25	107.80	0	0
May	108.05	107.50	107.95	107.45
Jun	107.80	107.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.23	[illegible]	9.40	9.15
Mar	8.99	9.06	9.02	8.89
May	8.98	9.07	9.02	8.92
Jul	9.00	9.06	9.02	8.98
Oct	9.00	9.02	[illegible]	8.88

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	559/4	561/4	561/4	554/0
Nov	554/4	558/6	557/6	549/0
Jan	562/2	564/2	565/0	558/4
Mar	570/0	572/0	573/0	564/4
May	578/0	579/6	580/0	572/4
Jul	584/4	586/2	587/4	579/4
Aug	585/4	587/2	587/0	580/4
Sep	580/4	580/4	583/0	577/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	19.31	19.60	19.44	19.03
Oct	19.32	19.60	19.52	19.05
Dec	[illegible]	19.92	19.79	19.39
Jan	19.71	20.09	19.94	19.51
Mar	20.00	20.32	20.20	19.74
May	20.27	20.57	20.50	20.04
Jul	20.50	20.75	20.75	20.30
Aug	20.62	20.91	20.62	20.62

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	170.6	172.6	171.5	170.0
Oct	186.7	189.6	189.0	187.8
Dec	188.8	189.8	189.2	187.8
Jan	188.7	189.8	189.0	[illegible]
Mar	188.6	189.6	189.0	187.5
May	188.0	189.5	188.8	187.8
Jul	189.3	190.7	189.7	188.9
Aug	189.8	191.1	190.5	189.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	225/6	226/2	225/6	223/6
Dec	220/4	221/0	220/6	217/6
Mar	229/0	229/4	229/0	226/2
May	235/2	236/0	235/2	232/6
Jul	239/4	240/2	239/6	237/0
Sep	239/6	240/6	240/0	238/2
Dec	243/4	244/0	243/4	241/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	327/4	323/0	328/0	321/0
Dec	339/6	334/0	340/4	333/0
Mar	344/6	340/0	345/0	337/4
May	339/2	335/6	339/4	333/4
Jul	317/4	317/0	318/2	314/4
Sep	322/4	321/6	322/4	322/4
Dec	332/4	334/4	332/4	330/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.425	75.625	75.750	75.325
Dec	73.150	73.225	73.350	73.000
Feb	72.225	72.375	72.475	72.100
Apr	73.300	73.525	73.575	73.175
Jun	70.300	70.500	70.425	70.150
Aug	68.925	69.075	69.100	68.900
Oct	68.925	68.950	69.000	68.925

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.825	40.750	41.050	40.650
Dec	41.525	41.825	41.800	41.425
Feb	40.225	40.075	40.625	40.075
Apr	38.525	38.625	38.900	38.450
Jun	44.175	44.425	44.400	44.150
Jul	44.225	44.350	44.300	44.225
Aug	43.100	43.225	43.175	43.075
Oct	40.300	40.400	40.350	40.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.800	40.825	41.800	40.475
Mar	40.500	40.800	41.475	40.400
May	42.000	42.150	42.900	41.600
Jul	42.300	42.400	42.600	42.350
Aug	41.250	41.350	0	41.250

LONDON STOCK EXCHANGE

Equities firmer after erratic session

By Terry Byland, UK Stock Market Editor

CRISIS DAY in the foreign exchange markets inspired wildly erratic trends in UK equities, which closed firmly as predictions of an imminent sterling devaluation mitigated the effects of increases in Bank of England minimum lending rate.

The turnround in the stock market from an early fall of more than 78 points on the FT-SE Index to a net rise of 8.3 for a close of 2,378.3 reflected the stock market's conviction that, since the day's 5 percentage-point increase in British interest rates had failed to rescue sterling, some form of European currency revaluation would be introduced. Suggestions that the Bundesbank would cut rates this morning were rife in London last night, in spite of reported denials from Germany.

The first half of the day passed with equity traders glued helplessly to their money market and foreign exchange trading screens. The Footsie opened 28 points down and plunged to minus 78.7 after the Bank of England annnounced its first, two-point, rise in interest rates.

This took the index down to 2,291.3, at which level the market rallied, hoping that the rate rise and the Bank's intervention would save sterling. But a recovery of about 24 Footsie points was quickly reversed at midsession when London money markets virtually ceased trading ahead of the Bank's second increase in rates, this time of a further three points.

Account Dealing Dates		
First Dealings:		
Sep 7	Sep 21	Oct 5
Option Declarations:		
Sep 17	Oct 1	Oct 15
Last Dealings:		
Sep 18	Oct 2	Oct 16
Account Day:		
Sep 28	Oct 12	Oct 26

*New time dealings may take place from 8.30 am two business days earlier.

Share prices turned down again, but only for a while. When equity strategists saw that the pound was still weak, they suggested that the UK authorities might now be forced to shift to a devaluation policy, albeit at some cost in political credibility.

A good recovery, supported by increased although selective institutional demand, received a further boost when the dollar's strength brought buyers in for oils, pharmaceuticals and similar international stocks.

Losses in interest-related sectors such as construction and retail stocks, as well as in banks, which would suffer from increased bad debts, were reduced towards the close. The swing in confidence was reflected in the revival of several bid features, including Fisons, the drugs group. Somewhat to the surprise of market traders, one securities house operated a trading programme across the range of the market, with second-liners prominent.

Seaq volume, slow at first, jumped to a total of 640.3m shares for the day, compared with 507.3m or £895m retail business on Tuesday.

Ian Harnett at Strauss Turnbull commented that the stock market might be "assuming an awful lot" on the political and investment scene in looking for a sterling devaluation, which would probably have to be greater than 5 per cent if it was to achieve its purpose.

Mr Nicholas Knight, long term bear at Nomura Research, switched to the bullish tack yesterday, commenting that adjustments to higher base rates and possible sterling withdrawal from the ERM were now in place.

Dollar boost for oils

THE LATEST collapse in the sterling/dollar rate, which has seen the UK currency slide from the $2 mark to $1.78 in less than a week, provoked a heavy burst of overseas buying of the oil sector.

With oil priced in dollars, the sector was seen as a big beneficiary of recent currency moves. The big US institutions were said to have chased all the quality oil shares. A specialist at one of the big US investment banks said: "At recent exchange rates it looked as if some big earnings downgrades would have to be implemented, but that no longer seems to be the case."

BP advanced 8 to 210¼p on heavy turnover of 16m, although analysts made the point that the majority of the group's huge debts are in dollars. Shell raced up 16 to 492½p on 6.3m traded.

Enterprise Oil shares remained in positive territory even during the market's darkest hour, with stories of big US buying interest noted throughout the day. The stock delivered the best individual performance in the Footsie, closing 29, or 8.6 per cent, higher at 365p. Around two weeks ago the shares dropped to 323p as a block of 9.6m was placed in the market by a UK institution.

Lasmo, in which a hefty 6.5m shares were traded, was also aggressively sought by US investors, adding 7½ at 132½p.

Body Shop plunges

Not even the wild swings in the market could hide the shock of a profits warning from health and beauty group Body Shop, one of the rapid growth stocks of the 1980s; and the shares retreated sharply to become the session's worst performing stock in percentage terms.

The retailer, once regarded by some as one of the "stars" of the stores sector, warned that first-half profits, expected to be announced in mid-October, would be below previous market forecasts but would reach at least £8m, against last year's £9.1m.

Dealers rushed to sell the stock, sending the price plunging 126 to 140p at one stage, its lowest point since December 1990. Analysts moved to cut full-year forecasts, and Ms Julie Ramshaw at Morgan Stanley reduced her estimate by £5.5m to £25.5m for the year to February 1993 and shaved the following year's figure by £7m to £32m.

Bargain hunting later in the day left the stock a net 108 down at 158p. Turnover amounted to 3m, the highest daily total for more than two years in the tightly held stock. Commenting on the day's fall Ms Ramshaw said: "In the short term the worst is probably over, but investors will be cautious until the interims."

Fisons wanted

Fisons, the pharmaceuticals/chemicals group, bucked the overall trend as marketmakers responded to revived hints that a takeover bid for the group could be in the offing.

There have been numerous bouts of takeover speculation surrounding Fisons, especially since the group issued a profits warning in June, when the shares plunged more than 100p in a single session.

At the close of trading, Fisons shares were 9, or 5.4 per cent, higher at 175p. Turnover came to a higher than usual 5.2m shares.

Dealers said Boots had been mooted as a potential predator. Other possible bidders, according to dealers, included ICI and a number of overseas groups. ICI shares settled 4 higher at 1058p.

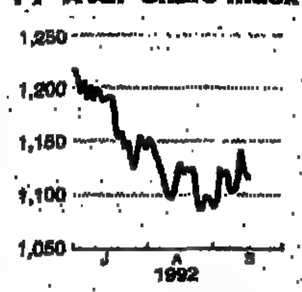
The two successive rises in UK interest rates triggered several waves of selling pressure throughout the big banks, already suffering from the implications of the unprecedentedly high rate of customer bankruptcies inflicted by the prolonged recession in the UK.

Barclays and National Westminster are seen by analysts as likely to suffer most from the fresh wave of corporate failures likely to be caused by yesterday's move to crisis-level interest rates.

The former dropped to 281p before stabilising to close a volatile session 19 down at 291p after exceptionally heavy turnover of 11m shares. NatWest was finally 22 off at 306p, after 301p, with 10m traded. Abbey National, one of the UK's biggest mortgage lenders, plummeted to 249½p but embarked on a good rally which left the stock a net 7 off at 262p.

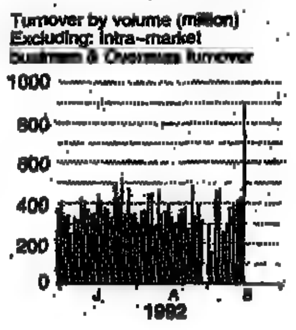
The jump in interest rates caused dismay in the insurance sectors, especially among companies involved in mortgage indemnity business, one of the biggest business casualties of the recession and the plunge in house prices.

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Fears that an imminent and probably large increase in mortgage costs, which would leave many mortgage holders unable to meet payments, and worries about the effects of higher interest rates on property values and equity market valuations impacted heavily on Sun Alliance, which retreated 15 to 289p.

The shares were additionally unsettled by speculation that the group had lost a golden opportunity to place its near 15 per cent stake in Commercial Union on Tuesday. CU dipped 8 to 475p.

Royal, heavily exposed to mortgage indemnity, fell 11 to 126p, while Legal & General, due to announce interims today, ended 18 down at 299p.

In the rest of the stores sector, the poor sentiment in Body Shop spilled over into Boots, the shares declining 8 to 454p on 3.1m traded. It was, however, news of higher interest rates that sent several of the stocks in the sector into retreat. Kingfisher, supported on Tuesday by the release of figures at the top end of expectations, receded 15 to 459p.

Among brewers, investors focused on overseas earning stocks which offered some protection against interest rate pressures in the UK. These included Allied Lyons, 19 stronger at 564p, Grand Metropolitan, which gained 17 on balance at 409p, having fallen to 371p earlier in the day, and Guinness, up 13 at 529p ahead of today's interim figures.

It was once again a sorry tale in Queens Moat Houses as financial worries continued to hang over the stock, and the shares finished 6¼ weaker at 27¼p on high turnover of 7.9m.

MARKET REPORTERS: Steve Thompson, Joel Kibazo.

■ Other market statistics, Page 24

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (18).
AMERICANS (2) Hasbro, Varity, CANADIANS (1) Am Barrick, CHEMS (1) Engelhard, FOOD MANUF (4) Nestle (Br), Do (Reg), Unilever, Do N/V, INSCE COMPOSITE (1) FBD, INV TRUSTS (1) Thai Euro. Ptg., MISC (2) Bluebird Toys, LGW, OTHER FINCL (1) Sterling Tst., MINES (2) Forsayth, GM Kalgoorlie.

NEW LOWS (446).
BRITISH FUNDS (28) AMERICANS (1) Amdahl, BANKS (3) Abbey Natl, Barclays, Ryl. Bk. Scot., BREWERS (11) Allied-Lyons, Burn Stewart, Fosters, Fuller STA, Greenalls, Guinness, Highland, Merrydown, Vaux, Wiltshire, Wolv. & Dud., BLDG MATLS (18) Anglian, BMSS, Baggeridge, Blockleys, Blue Circle, Do 7⅝pc Pf, Br Fittings, Cape, Epwin, Kalon, Marshalls, Do 6½pc Cv, Meyer, Newman-Tonks, RMC, BUSINESS SERVS (8) BET, Christie, Corp. Servs., Dart, Hays, Holmes Protn., Johnson Clnrs., Sketchley, CHEMS (3) Courtaulds, Ellis & Everard, Montedison, CONGLOMERATES (5) Bibby, Mosaic, Ropner, Do A, Trafalgar Hse. A, CONTG & CONSTRCN (29) AMEC, Abbey, Alfred, Avonside, BB & EA, Barratt Dev, Birse, Campbell & Arm., Crest Nicholson 5½pc Pf, Cussins, Edmond, Hewden-Stuart, Higgs & Hill, How, Lovell, McAlpine, McLaughlin & Hvy, Prowting, Raine, Tay Homes, Tilbury Dgls, Vibroplant, Westbury, ELECTRICALS (8) BICC, Dale, Delta, Dowding & Mills, Kenwood Appls, Electronics Tec, Oxford Insts, Wholesale Ftgs, ELECTRONICS (11) AB, Alba, CML, Control Tec. Indl. Control Servs., Logica, P & P, P-E, Psion, Scantronic, Trace Comps, ENG AERO (3) Br Aerospace, Rolls-Royce, UMECO, ENG GEN (28) APV, Alvis, Atlas, Babcock, Bailey, Brammer, Bridon, Bromsgrove, Bullough, Dobson Park, EIS, Fenner, GEI, Hall, Hampson, Hill & Smith, Howden, Locker A, Molins, Record, Simon, TI, Vickers, Wilkes, Wyko, FOOD MANUF (11) Assoc. Br Foods, Geesons Crisp, Booker, Grand Central, Hillsdown, JLI, Linton Park, Northumbrian, Perkins, RHM, Unigate, FOOD RETAILING (5) Brake Bros., Gateway, Tesco, Thorntons, Watson & Philip, HEALTH & HSEHOLD (3) Community Hosp, Intercare, Swallowfield, HOTELS & LEIS (17) Courtyard, Expedier, Forte, Friendly, Hi-Tec, Owners Abroad, Do 9¼pc Pf, Queen Moat, Do 7pc Pf, Do 7½pc Pf, Rank Org., Resort, Savoy, Stanley, Thorn EMI, Wembley, Zetters, INSCE BROKERS (2) Hogg, Steel Burrill, INSCE COMPOSITE (1) Royal, INV TRUSTS (93) MEDIA (8) Abbott Mead, Aegis 6¼pc Pf, Flextech, Home Counties, Lopex, More O'Ferrall, Thames TV, VTR, MTL & MTL FORMING (6) ASW, Apollo Mtls., Ash & Lacy, Cook, Cooper, Johnson & Firth, MISC (15) Colefax & Fowler, Copymore, Flogas, Halls Homes, Hornby, Kershaw, Lionheart, Nu-Swift, Relyon, Ricardo, Sgm. Business, Spandex, Stag, UDO, Walker Greenbank, MOTORS (10) Airflow Streamlines, Appleyard, Channel, Dagenham, ERF, European, Kwik-Fit, Lex Servs., Sanderson Murray E., Vardy, OIL & GAS (1) Br Gas, OTHER FINCL (8) Aberdeen, Cambridge, First Natl. Fin, Henderson Admn, Ivory & Sime, Lightship, M & G, Mercury Asset, OTHER INDL MATLS (5) English China, Kelsey, Norcros, Scapa, Suter, PACKG, PAPER & PRINTG (8) Arjo Wiggins, Essette, Smith, Stat-Plus, Unit, Usher-Walker, Wace, Waddington, PROP (46) STORES (18) Alexon, Ashley, Austin Reed, Do N/V, Beattie A, Beatties, Body Shop, Colorvision, Country Casuals, Fired Earth T., Liberty, Lloyds Chems., Do 7½pc Pf, MFI, Ratners 5⅜pc Pf, Rosebys, Sears, World of Leather, TELE NETWORKS (1) Vodafone, TEXTS (7) Baird, Beckman, Campari, Lamont, Leslie Wise, Martin Richards, TRANSPORT (8) Craig, Jacobs, Manchester Ship, Norex, P & O Dfd., MINES (2) Anglo Pac, Cons Res.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday September 16 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Sep 15 Index No.	Mon Sep 14 Index No.	Fri Sep 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	686.07	−1.3	8.51	6.47	15.15	22.52	695.30	706.53	683.64	854.19
2	Building Materials (23)	643.33	−2.9	8.21	8.56	16.05	27.19	662.33	682.27	639.14	1104.13
3	Contracting, Construction (27)	491.45	−4.6	5.16	10.89	64.62	25.74	515.01	517.93	498.89	1184.32
4	Electricals (9)	1899.78	−3.8	8.87	7.91	14.91	74.93	1975.30	2043.91	2009.21	2405.17
5	Electronics (27)	1875.66	−1.0	8.61	4.60	14.48	46.63	1894.36	1909.56	1878.22	1764.85
6	Engineering-Aerospace (6)	279.43	−2.2	12.90	9.33	9.83	13.53	285.82	294.19	288.07	373.11
7	Engineering-General (43)	413.55	−1.2	9.82	5.81	12.98	13.00	418.50	426.44	417.68	494.56
8	Metals and Metal Forming (7)	272.16	−1.0	6.98	8.04	22.77	7.30	274.82	277.13	267.74	453.56
9	Motors (14)	278.27	−2.4	9.57	8.49	13.73	14.02	285.10	290.48	286.14	362.33
10	Other Industrial Materials (19)	1596.84	......	7.86	5.22	15.37	41.12	1596.81	1614.08	1555.15	1617.48
21	CONSUMER GROUP (191)	1489.42	......	7.73	3.88	16.04	28.51	1489.26	1523.96	1496.94	1543.97
22	Brewers and Distillers (25)	1871.73	+1.6	8.39	3.91	13.56	37.64	1841.47	1901.20	1862.86	1885.20
25	Food Manufacturing (19)	1096.18	+1.0	9.78	4.82	12.65	26.54	1085.74	1094.76	1077.24	1234.24
26	Food Retailing (18)	2433.72	−3.0	10.06	3.75	12.94	47.40	2509.37	2577.66	2555.13	2554.95
27	Health and Household (25)	4111.83	+2.7	5.37	2.69	21.56	42.46	4005.53	4077.36	3978.62	3656.64
29	Hotels and Leisure (18)	898.80	−3.2	8.96	7.62	14.58	38.39	928.97	959.59	951.47	1354.66
30	Media (26)	1447.58	−0.8	6.78	3.64	18.42	29.64	1459.61	1479.89	1448.30	1544.30
31	Packaging, Paper & Printing (17)	633.17	−1.1	8.02	5.11	15.53	18.71	640.05	694.15	687.31	759.07
34	Stores (34)	928.23	−3.9	7.64	4.04	17.43	17.95	966.27	986.68	974.52	997.83
35	Textiles (9)	584.33	+2.1	8.07	5.25	15.60	16.10	572.16	571.21	555.25	633.30
40	OTHER GROUPS (117)	1202.04	+0.1	10.41	5.65	12.03	38.14	1201.02	1220.74	1206.62	1282.88
41	Business Services (17)	1209.81	+0.4	7.39	4.33	16.60	21.54	1204.61	1255.69	1233.33	1443.52
42	Chemicals (22)	1276.97	+1.0	7.71	5.68	16.10	46.24	1264.23	1286.43	1270.75	1431.34
43	Conglomerates (10)	1174.58	+0.3	9.82	9.36	13.04	37.23	1170.51	1189.95	1149.78	1521.45
44	Transport (14)	2204.91	−2.5	9.12	5.36	13.50	56.22	2262.26	2317.20	2248.05	2362.87
45	Electricity (16)	1362.01	......	15.27	5.39	8.44	52.08	1361.39	1378.03	1415.24	1249.50
46	Telephone Networks (4)	1376.72	+0.1	10.98	4.80	11.67	46.15	1375.36	1393.27	1374.27	1554.45
47	Water (11)	2822.89	−1.9	15.07	6.13	6.77	86.85	2876.03	2903.01	2917.19	2499.09
48	Miscellaneous (23)	1996.72	+1.8	6.63	5.08	18.91	54.03	1961.80	1996.10	1942.86	1859.08
49	INDUSTRIAL GROUP (483)	1195.79	−0.2	8.74	4.90	14.32	30.59	1198.09	1221.84	1199.62	1293.01
51	Oil & Gas (17)	1891.57	+2.8	7.13	6.78	18.37	69.56	1840.13	1864.19	1824.94	2396.40
59	500 SHARE INDEX (500)	1260.81	+0.1	8.57	5.09	14.66	33.75	1259.43	1283.54	1259.83	1388.29
61	FINANCIAL GROUP (83)●	654.62	−2.7	−	6.73	−	27.63	672.59	688.63	673.73	830.34
62	Banks (9)●	894.04	−2.9	5.82	6.22	25.77	39.95	921.12	940.10	921.02	961.34
65	Insurance (Life) (6)	1380.20	−2.6	−	6.58	−	45.47	1416.91	1467.65	1429.07	1587.96
66	Insurance (Composite) (7)	447.89	−3.0	−	6.71	−	16.37	461.68	479.19	462.74	640.58
67	Insurance (Brokers) (10)	591.95	−0.4	12.06	9.46	10.08	39.26	594.43	607.64	586.70	1168.04
68	Merchant Banks (7)	409.27	−0.8	−	5.29	−	12.37	412.48	415.62	406.61	467.59
69	Property (30)	464.71	−3.0	12.15	9.58	10.92	22.22	479.32	489.49	489.80	970.66
70	Other Financial (14)	217.71	−0.9	9.18	7.56	14.31	7.29	219.77	221.33	216.58	268.50
71	Investment Trusts (70)	1048.92	−1.3	−	4.28	−	25.50	1062.78	1073.32	1050.55	1238.07
99	ALL-SHARE INDEX (653)●	1115.60	−0.3	−	5.28	−	31.83	1118.69	1140.51	1118.91	1252.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 15	Sep 14	Sep 11	Sep 10	Sep 9	Year ago
FT-SE 100 SHARE INDEX‡	2378.3	+8.3	2378.3	2291.3	2370.0	2422.1	2370.9	2340.6	2327.5	2583.6

FIXED INTEREST

	PRICE INDICES	Wed Sep 16	Day's change %	Tue Sep 15	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	120.23	−0.51	120.85	2.26	8.79
2	5-15 years (25)	136.19	−0.20	136.46	1.84	10.07
3	Over 15 years (8)	148.29	−0.86	149.58	0.90	9.97
4	Irredeemables (6)	168.82	−1.35	171.13	2.84	8.83
5	All stocks (61)	133.76	−0.39	134.28	1.91	9.79
	Index-Linked					
6	Up to 5 years (2)	167.18	−0.57	168.13	0.30	3.25
7	Over 5 years (10)	143.94	−0.71	144.96	0.62	3.64
8	All stocks (12)	145.99	−0.69	147.00	0.58	3.56
9	Debs & Loans (62)	119.54	−0.90	120.63	2.15	8.69

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 16	Tue Sep 15	Year ago (approx.)
	British Government				
1	Low	5 years	9.77	10.03	8.58
2	Coupons	15 years	8.82	8.71	9.24
3	(0%-7¾%)	20 years	8.82	8.71	9.24
4	Medium	5 years	9.77	9.69	9.59
5	Coupons	15 years	9.05	8.99	9.41
6	(8%-10¾%)	20 years	8.96	8.88	9.35
7	High	5 years	10.03	9.96	9.78
8	Coupons	15 years	9.31	9.21	9.50
9	(11%-)	20 years	9.19	9.05	9.41
10	Irredeemables		9.08	8.95	9.43
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.06	4.87	3.95
12	Inflation rate 5%	Over 5 yrs.	4.76	4.70	4.21
13	Inflation rate 10%	Up to 5 yrs.	4.23	4.03	3.30
14	Inflation rate 10%	Over 5 yrs.	4.56	4.50	4.02
15	Debs &	5 years	11.20	10.58	11.31
16	Loans	15 years	10.43	10.35	11.06
17		25 years	10.31	10.21	10.83

‡Opening Index 2341.8; 9 am 2333.3; 10 am 2318.0; 11 am 2318.4; Noon 2318.3; 1 pm 2328.7; 2 pm 2325.3; 2.30 pm 2316.8; 3 pm 2363.3; 4.10 pm 2369.5; (a) 4.30pm (b) 11.13am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ●HSBC is not subject to advance corporation tax and therefore its dividends are not grossed up.

FINANCIAL TIMES STOCK INDICES

	Sept 16	Sept 15	Sept 14	Sept 11	Sept 10	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.55	89.14	90.11	88.83	88.91	87.94	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.47	106.34	106.46	105.46	105.36	96.99	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1716.4	1725.7	1775.4	1729.9	1707.4	2007.1	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	74.5	72.5	73.1	68.0	65.0	159.2	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2378.3	2370.0	2422.1	2370.9	2340.6	2583.6	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1088.65	1091.81	1113.61	1078.33	1087.55	1170.39	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.08	5.17	5.06	5.17	5.22	4.78				
●Earning Yld %(full)	7.41	7.44	7.27	17.02	7.51	7.87				
●P/E Ratio(Net)(☆)	17.10	17.05	17.42	15.79	16.86	16.27				
SEAQ Bargns 5.00pm	22,530	18,968	24,614	18,412	16,387	27,578				
Equity Turnover(£m)†	-	895.0	971.7	923.9	900.9	1,545.50				
Equity Bargains†	-	21,811	27,095	20,914	18,942	27,335				
Shares Traded (ml)†	-	437.3	429.1	418.7	398.0	582.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 15.85

Ordinary Share Index, Hourly changes — Day's High 1718.4 — Day's Low 1649.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1685.6	1690.4	1678.4	1669.0	1666.5	1674.7	1672.4	1703.3	1708.0

FT-SE 100, Hourly changes — Day's High 2378.3 — Day's Low 2291.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2341.8	2333.3	2318.0	2318.4	2318.3	2328.7	2325.3	2363.3	2365.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1101.43 — Day's Low 1069.17

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1077.35	1078.97	1075.24	1081.12	1090.88	1097.84	1092.09

GILT EDGED ACTIVITY

Indices*	Sept 15	Sept 14
Gilt Edged Bargains	99.1	129.3
5 – Day average	97.0	95.6

*SE Activity 1974. †Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	7	400	+6	Comm. Union	1,700	475	−8	Lonrho	403	66	−1	Shell Transport	8,300	492½	+16
ASDA Group	5,700	28		Cookson	751	137	−1	Lucas	2,000	85	−4	Siebe	1,700	324	+6
Abbey National	5,200	262	−7	Courtaulds	3,500	408		MB Caradon	376	216	−8	Slough Ests	284	88	−3
Albert Fisher	1,200	32	−3	Dalgety	408	389	−8	MEPC	770	205	−7	Smith (W.H.) A	626	364	−18
Allied−Lyons	3,400	564	+19	De La Rue	705	553		Manweb	405	417	−2	Smith & Nephew	1,100	131½	+1
Amstrad	440	22½	+½	Dixons	2,500	187	−15	Marks & Spencer	8,300	302	−8	SmithKline Beecham	3,000	[illegible]	+18
Anglian Water	557	417	−7	Eastern Elect.	1,200	354	−2	Midlands Elect.	622	402	−5	SmKl Beecham Uts.	691	460	+18
Argos	1,200	218	−7	East Midland Elect.	1,100	376	−2	NFC	930	236	−1	Smiths Inds.	89	263	−19
Argyll Group	3,200	304	−10	Eng China Clays	1,600	343	−5	NatWest Bank	10,000	306	−22	Southern Elect.	491	377	−4
Arjo Wiggins	11,000	127	−2	Enterprise Oil	4,700	365	+29	National Power	3,800	255½	+2½	South Wales Elect.	290	441	−9
Ass. Brit. Foods	251	378	−2	Eurotunnel Units	630	372	+3	Next	2,800	61	−3½	South West Water	1,000	413	−12
Ass. Brit. Ports	2,800	222	−15	FKI	2,000	70	+1	North West Water	892	433	−10	South West. Elect.	459	398	
[illegible]															
Boots	3,100	444	−8	Harrisons Crosfield	2,000	107	−9	Rentokil	1,300	154	+3	Unilever	2,400	984	+23
Bowater	844	748	+4	Hillsdown	5,900	74	−6	Reuters	1,100	1140	+7	United Biscuits	2,100	274	+4
Brit. Aerospace	2,100	194	−4	IMI	1,100	238	+1	Rolls Royce	4,700	124	−2	Utd. Newspapers	730	382	−18
British Airways	5,800	207	−5	ICI	2,600	1057	[illegible]	Rothmans	366	611	+4	Vodafone	430	294	
British Gas	6,900	230½		Inchcape	1,300	416	+7	Ryl Bk Scotland	2,500	145	−8	Warburg (SG)	417	445	−2
British Land	320	118	−17	Kingfisher	3,500	459	−15	Royal Insurance	5,100	126	−11	Wellcome	[illegible]	880	+13
British Steel	12,000	53½	+½	Kwik Save	411	640	−8	Saatchi	115	136		Welsh Water	283	443	−7
Bunzl	207	[illegible]	−2	Ladbroke	9,700	140	−14	Sainsbury	[illegible]	416	−11	Wessex Water	24	487	−8
Burmah Castrol	513	601	+6	Land Securities	1,300	505		Scottish & New.	2,000	[illegible]	−8	Whitbread 'A'	549	371	−5
Burton	1,580	39½	−2½	Laporte	192	484		Scot Hydro-Elect	2,200	211	+1½	Williams Hldgs.	1,800	241	−8
Cable & Wire.	2,900	538	+6	Legal & General	3,300	299	−18	Scottish Power	4,900	155	+1½	Willis Corroon	1,100	180	−7
Cadbury Schweppes	2,400	444	+12	Lloyds Abbey	1,660	207	−8	Sears	13,000	[illegible]	−6½	Wimpey	1,700	74	−5
Calor Group	309	194	−12	Lloyds Bank	4,900	[illegible]	−9	Sedgwick	1,800	129	+8	Wolseley	306	330	+1
Carlton Comms.	570	593	+6	LASMO	7,100	132½	+7½	Seeboard	600	370	−8	Yorkshire Elect.	294	424	
Coats Viyella	2,200	173	+11	London Elect.	1,700	379	+3	Severn Trent Water	1,800	381	−11	Yorkshire Water	348	453	−5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

IT WAS another heavy trading session in derivatives markets as securities houses and private investors struggled to come to terms with interest rates in the UK, as well as the possibility of an ERM revaluation, writes Terry Byland.

The September future on the FT-SE Index, which expires tomorrow, had traded just over 23,000 contracts by the official close and remained active later as sterling came under further pressure.

The contract swung between a low of 2,285 and a closing quotation of 2,410, the final figure showing a premium of around 8 points against the underlying cash index. Throughout the day, stock index futures took their cue from the London money and foreign exchange markets. Traders continued to attempt to roll business over from the September to the December contract, which takes over market leadership on Friday, but all other factors were overwhelmed by the increase in UK minimum lending rate.

Traded options volume jumped from 33,293 contracts to 51,062, one of the highest daily totals since April. The FT-SE option took the lion's share, with 26,669 against 15,459, with the Euro FT-SE also active on 2,848 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		98⅞	−⅛	99⅞	97⅞	8.34	10.67
10pc 1993		99⅝xd	−⅛	100¼	98⅛	10.07	11.80
12¼pc 1993		101	−⅛	103⅞	100⅞	12.38	11.21
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		103	−¼	106⅞	100⅞	9.85	9.70
9pc 2000		96	−⅛	100⅞	94⅞	9.18	9.45
Treas 13pc 2000		117⅛	+⅛	121⅛	114⅞	11.08	9.84
[illegible]							

BRITISH FUNDS - Cont.

Index–Linked

	(b)	Price £	+ or -	1992 high	1992 low	(1)	(2)
Treas. 2pc '94	(102.9)	124⅛	−½	127⅝	122⅛	3.86	5.23
2pc '96	(67.9)	177	−1¼	184¼	176⅛	4.34	5.05
2½pc '01	(78.3)	140⅛xd	−1¼	148⅞	139⅛	4.74	5.10
2½pc '03	(78.8)	138⅛	−⅞	144⅞	135	4.75	5.08
2pc '06	(69.5)	137¼	−⅞	147⅛	137⅛	4.88	4.92
2½pc '09	(78.8)	126⅛	−⅞	124¼	124⅞	4.84	4.88
2½pc '11	(74.6)	129⅞	−⅞	139⅞	129⅛	4.87	4.77
2½pc '13	(89.2)	108⅛	−⅞	114⅛	108⅛	4.86	4.74
2½pc '16	(81.6)	114⅛	−⅞	121⅞	112⅞	4.48	4.56
2½pc '20	(83.0)	109⅛xd	−⅞	117⅛	107⅞	4.48	4.60
2½pc '24‡‡	(97.7)	90⅞	−⅞	97⅞	89⅞	4.41	4.65
4⅛pc '30‡‡	(135.1)	92⅛	−⅞	99⅞	91⅞	4.38	4.54

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1992: 136.3 and for August 1992: 138.9.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		112¼	−1⅛	118⅞	109⅞	9.99	9.61
Asian Dev 10¼pc 2009		106¼	−1⅛	109⅞	100⅛	9.66	9.41
B'ham 11½pc 2012		117	−1	118½	102⅞	10.39	10.20
Ireland Cap 8½pc '10		93¼	+⅞	98¼	86⅞	9.12	−
9pc Cap 1996		99⅛	−⅛	99¼	90	9.09	−
13pc '97–02		107	+¼	118½	103⅞	12.15	−
Hydro Quebec 15pc 2011		138⅞	−⅞	141⅞	130⅞	10.82	10.28
Leeds 13½pc 2006		122¼	−1	125	116⅞	10.91	10.28
Liverpool 3½pc Irred		32	−1	34	30	10.94	−
LCC 3pc '20 Aft		30	−1	31¼	27	10.08	−
Manchester 11½pc 2007		108½	−1	111¼	100¼	10.60	10.25
Met. Wtr. 3pc 'B'		66½	−1	62	53	4.66	6.65
N'wide Anglia 3⅞pc 2021		104	−1	111¼	103¼	−	5.72
4⅛pc IL 2024		104	−1	110¼	103¼	−	5.43
Utd Mex States 16½pc 2008		123½	−1	126	121½	13.35	12.97

PUBLIC WORKS LOAN BOARD RATES

Effective September 15

Quota loans*

Years	EPT	AT†	maturity
1			10⅛
Over 1 up to 2	10⅛	10⅛	10¼
Over 2 up to 3	10¼	10¼	10¼
Over 3 up to 4	10¼	10¼	10⅛
Over 4 up to 5	10⅛	10⅛	10⅛
Over 5 up to 6	10⅛	10⅛	10⅛
Over 6 up to 7	10⅛	10⅛	10⅛
Over 7 up to 8	10⅛	10⅛	10⅛
Over 8 up to 9	10	10⅛	10⅛
Over 9 up to 10	10⅛	10⅛	10⅛
Over 10 up to 15	10¼	10⅜	10⅛
Over 15 up to 25	10¼	10⅛	10
Over 25	10	9⅞	9¾

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs	h	16⅛xd	—	19⅛	14⅝	13,686	1.9
♥Allegheny & W		316p	+6	336p	226p	104.2	5.0
Amdahl		527p	-288	1158p	527p	598.5	1.0
Amer Cyanamid		31⅞	—	37	28⅝	2,902	2.7
Amer Express		12⅛xd	+⅛	13⅞	10⅞	6,759	4.4
Amer T & T		23⅞xd	+⅛	24⅞	20⅛	31,034	2.9
Ameritech		35⅛	+½	36⅞	32½	18,981	5.0
BankAmerica		24⅛xd	+⅛	27⅛	19⅛	8,265	2.8
Bankers NY		33⅞xd	-⅛	37⅛	29⅞	2,771	4.0
Bell Atlantic		25⅞	+⅛	26⅞	23⅛	11,130	5.3
BellSouth		27⅞	+⅛	28⅛	25	13,827	5.2
♥Bethlehem Steel		6⅞xd	—	9⅝	5⅞	698.3	—
Bowater		1067pxd	-10	1579p	905p	385.7	5.9
CPC	h	26⅛xd	-⅛	28½	22⅞	3,967	2.4
♥Cadiz Land Inc		128p	—	342p	128p	—	—
Campbell Soup		20½xd	—	23⅞	17⅞	5,146	2.0
Chase Manhattan		12⅛xd	+⅛	16⅛	9⅛	1,747	5.1
Chrysler		11½xd	-⅛	11⅞	6⅛	3,282	2.7
Citicorp		8⅞xd	+⅛	11⅛	5⅞	3,803	—
Colgate-Palm		29⅞xd	+⅛	30⅞	25⅛	4,785	2.2
Cont'l Bank		486p	—	1099p	499p	884.3	3.5
Dana		21⅞xd	+⅛	24½	14⅞	908.8	3.9
Data General		654p	+6	1004p	384p	153.5	—
♥Decora Inds		116p	—	122p	66p	—	—
Dun & Brad		38½	+⅛	39½	27⅝	5,441	3.9
Eaton		42⅛	—	46½	32⅛	1,488	2.7
Echlin		10⅝xd	+⅛	11	7⅞	611.8	3.4
FPL		19xd	+⅛	20	17⅞	3,432	6.7
Fluor		23⅛	-⅛	27	19⅛	1,888	0.9
Ford Motor		22⅞xd	-⅛	28⅛	15	10,883	2.3
Gen Elect		41⅞xd	+⅛	46⅛	36⅛	36,347	3.0
♥General Host		517p	+10	595p	360p	—	3.6
Gillette		30⅛xd	-⅛	30⅞	23⅞	6,596	1.3
Hasbro		16⅝	+⅛	16⅝	12⅞	1,605	0.8
Honeywell		38	+½	40	32	2,518	2.4
Houston Inds		24	+½	25	22	3,108	6.5
IBM		45⅞xd	-⅝	54½	42⅞	26,110	5.5
Ingersoll-Rand		15⅞	-⅛	19⅛	12⅞	1,614	2.4
Lockheed		25	+½	28⅞	22⅞	1,585	4.3
Lowe's	h	925p	+27	1279p	815½p	674.5	1.6
Merrill Lynch		28⅛xd	+⅛	35⅞	24⅞	2,909	2.2
Morgan (JP)		32⅛xd	-⅛	37½	28⅞	6,182	3.5
Morris (Philip)		45⅛xd	+⅛	45⅞	[illegible]	[illegible]	2.0
NYNEX		44½	+½	44⅝	38⅝	9,162	5.5
Pall		15⅛	-⅛	17⅞	10⅞	1,328	1.2
Pennzoil		28⅛xd	—	38⅛	23⅛	1,162	6.5
Quaker Oats		34xd	+⅛	40⅞	28	2,540	3.0
Rockwell		14xd	+⅛	15⅞	11½	3,119	3.4
Rep NY		22xd	+⅛	28⅞	20⅞	1,144	2.4
Sears, Roebuck		22⅛xd	+⅛	28	19⅞	7,881	4.7
Sthwestern Bell		35⅞	+⅛	36⅞	31⅞	10,618	4.3
Sun Co		13xd	-⅛	16⅞	12⅞	1,379	7.4
Tenneco		20xd	+⅛	25⅞	16½	2,884	4.2
Texaco		34½xd	+⅛	36⅝	30⅞	8,919	4.9
Time Warner	h	14⅞xc	-⅛	18½	11⅛	5,396	1.0
♥Unitab		357p	—	697p	320p	313.0	—
♥URS Intl. 1c		0⅛p	—	1⅛p	0⅛p	1.81	—
US West		20⅛	+⅛	21⅞	18⅞	4,258	6.5
Varity		1156p	+12	1156p	632p	288.2	—
Waste Manage		19⅞xd	+⅛	25	16⅞	9,446	1.4
Whirlpool		2140pxd	+28	2799p	1760p	1,580	2.7
♥Woolworth		16⅛	—	18⅛	13⅛	2,184	3.5

CANADIANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
♥Abbot Energy		1⅛p	—	2p	1⅛p	—	—
Amer Barrick		1730p	+111	1730p	1364p	2,487	0.2
Bk Montreal		20⅝	—	23⅛	19⅛	2,909	4.3
Bk Nova Scot		1081p	+11	1170p	890p	2,174	4.1
♥BC Gas		781p	+24	870p	621p	—	3.8
BCE		20⅛	+⅛	24½	18⅞	6,344	5.4
♥Brascan		867p	+19	987p	704p	766.8	5.1
♥Breakwater		19½p	+1½	33p	8p	12.4	21.6
Can Imp Bk		1321p	+10	1610p	1157p	2,487	4.2
Can Pacific		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Diamond and Platinum

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) [illegible]

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

AXA Equity & Law Unit Tst Mngrs (1200)F

Abbey Unit Tst Mngrs (1000)H

Brown Shipley & Co Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Gartmore Fund Managers—Contd.

Kleinwort Benson Unit Trusts (1400)F

Marks & Spencer Unit Trust Ltd (1200)F

Marlborough Fund Managers Ltd (1630)F

National Provident Inv Mngrs Ltd (1400)H

Royal Life Fd Mgmt Ltd (1000)F

NW Investment Managers Ltd (0659)F

Maddox Unit Trust Managers Ltd (1400)F

Manulife Management Ltd (1200)F

M&P Unit Trust Management Ltd (1200)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: The letter H denotes [illegible]

FORWARD PRICING: The letter F denotes [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – [illegible]

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
American Gwth	5¼	54.36	54.36xd	58.35	+0.96	0
Eur Sp Sits Acc	5¼	36.05	36.05	38.41	-0.25	0
Eur Sp Sits Inc	5¼	34.54	34.54	36.81	-0.23	0
Far East Opps Inc	5¼	20.17	20.17	21.77	-0.01	0
Far East Opps Acc	5¼	20.67	20.67	22.31	-0.01	0
General Growth	5¼	75.30	75.30	81.08	-0.38	3.81
General Growth Acc	5¼	76.56	76.56	82.43	-0.39	3.81
Global Tech	5¼	81.14	81.14	87.63	+0.64	0
Income Growth	5¼	72.21	72.21	77.88	-1.38	5.76
Income Growth Acc	5¼	72.21	72.21	77.88	-1.38	5.76
Income Monthly	5¼	42.30	42.30	45.24	-0.65	7.07
Japan Growth	5¼	50.95	50.95	54.15	+0.04	0
Overseas Growth	5¼	55.15	55.15	58.79	+0.29	0
Smaller Cos	5¼	50.88	50.88	54.70	-1.25	3.58
Special Opps	5¼	65.59	65.59xd	70.52	-2.00	3.84
Wwide Sp Sit Acc	5¼	31.21	31.21xd	33.74	-0.28	0
Wwide Sp Sit Inc	5¼	31.13	31.13xd	33.46	-0.28	0
SGTR Pension Portfolio						
American Growth	6	32.68	33.20	35.20	+0.58	-
Eur Sp Sits	6	28.98	29.34	31.10	-0.20	-
General Growth	6	27.53	28.16	29.85	-0.22	-
Global Tech	6	31.78	32.61	34.56	+0.25	-
Income Growth	6	24.22	24.82	26.31	-0.46	-
Japan Growth	6	15.45	16.10	17.07	+0.01	-
Managed Equity	6					-
Overseas Growth	6	23.89	24.20	25.65	+0.12	-
Smaller Cos	6	12.96	13.23	14.03	+0.12	-
Special Opps	6	15.09	15.40	16.33	-0.45	-
Sstp Liquidity	6	33.87	34.46	35.90	+0.01	-
Wwide Sp Sits	6	25.34	26.05	27.61	-0.08	-
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.90	50.90	51.40	+0.01	10.00
Christian Prnence	5½	47.47	47.77	50.95	-0.56	9.2
Ethical	5½	39.01	39.98xd	42.53	-1.87	5.9
European Growth	5½	46.39	46.95	49.65	+0.21	3.5
Income	5½	39.72	40.21	42.89	-1.26	8.8
Intl Growth	5½	60.90	61.32	65.40	+0.06	3
Managed	5½	51.65	52.32	55.80	-0.95	4.6
UK Growth	5½	40.95	41.60	44.37	-1.78	6.9

	Bid Price	Offer Price	+ or -	Yield Gross
Edinburgh Fund Mngrs PLC				
Exempt Funds				
Managed Sep 16	131.6	137.0	+2.1	3.83
Japan Sep 17	76.71	78.81	+1.79	0.63
Sm Jap Cos Sep 11	341.9	351.3	+4.1	0.14
Latin American Sep 15	80.73	84.76xd	+1.04	0.59
Fidelity Investment Services Ltd				
Europ American Portfolio	102.8	104.3	+0.80	0.00
Mngd Pens P'folio	125.7	129.7xd	-3.00	2.30
Fledgeling Charity Portfolio				
25 Copthall Avenue EC2R 7DR 071-638 5858				
UK Equity	£0.9521	0.9634	-0.0182	5.52
Bond	£0.9702	0.9983	-0.0103	9.44
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£404.47	476.36	+9.32	1.55
Gen Exempt	£117.88	120.39	-1.47	4.68
Jap Exempt	£353.18	359.98	+3.83	1.22
Pacific Exempt	£106.60	109.81	+0.63	2.00
Contl Euro Exempt	£97.37	99.25	-0.04	2.56
Indexed Exempt Sep 10	£115.51	118.38	—	5.09
Amer Indxd Exmt Sep 10	£97.13	98.10	—	2.90
Japan Indxd Exmt Sep 10	£48.22	49.19	—	1.05
Euro Indxd Exmt Sep 10	£87.89	89.66	—	3.46
O'sea Indxd Exmt Sep 10	£87.35	89.24	—	2.38
Foreign & Colonial Unit Management Ltd				
Balanced Acc Sep 15	145.4	151.4	+1.9	4.09
Balanced Inc Sep 15	145.4	151.4	+1.9	4.09
Funds in Court*				
Capital Aug 27	443.60	446.95	—	3.42
Gross Aug 27	164.79	166.12	—	12.64
High Yield Aug 27	254.29	256.35xd	—	9.62
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd.	49.22	50.21	-1.02	3.40
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1065.0	1146.0	—	—
Mngd Pens (Acc)	64.5	68.7	—	—
Lazard Brothers & Co. Ltd				

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	135.3	142.4	+0.1	-
Property Acc. (Gross)	257.7	271.2		-
Equity (Gross)	787.7	829.1	-24.2	-
Managed (Gross)	572.9	603.1	-11.2	-
Property Acc. (Net)	123.2	129.7	+0.1	-
Equity (Net)	184.4	194.1	[illegible]	-
Adventurous Managed	88.9	93.6	+0.1	-
Managed (Net)	177.7	187.0	[illegible]	-
Cautious Managed	97.5	102.6	-0.1	-
International (Net)	156.9	165.2	-1.8	-
[illegible]	142.3	149.8	-1.5	-
Money Fund	141.8	149.3	...	-
Mixed Fund (Cap)	108.8	114.6		-
Mixed Fund (Acc)	113.7	119.7		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	617.6	650.2	[illegible]	-
Ret. Man (Series 2)	209.4	220.5	-6.1	-
Ret Cash	201.1	211.6		-
Pens Mixed Fd (Cap)	120.1	126.5		-
Pens Mixed Fd (Acc)	125.5	132.2		-
Pens Stlg Fd (Cap)	104.8	110.4		-
Pens Stlg Fd (Acc)	109.5	115.3		-

Premium Life Assurance Co Ltd

37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	127.0	134.0		-
Building Soc. Fd.	225.0	237.0		-
Balanced	241.0	254.0	-3.0	-
European	203.0	214.0	-1.0	-
GT Managed	174.0	184.0		-
Gartmore Mngd.	119.0	126.0	+2.0	-
German	124.0	131.0	-1.0	-
Gilt	160.0	169.0	-3.0	-
Global	34.0	36.0	-1.0	-
International Equity	179.0	189.0	[illegible]	-
Japan	152.0	160.0		-
Leisure	47.0	50.0		-
Managed	37.0	39.0	-1.0	-
Property	286.0	302.0		-
UK Equity	211.0	223.0	-6.0	-
Pension Funds				

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Sep 9	£173.03	178.51		-
Equity Sep 9	£195.66	202.37		-
International Sep 9	£25.01	25.70		-
Intl Bond Sep 9	£14.01	14.19		-
Fixed Int Sep 9	£105.77	106.97		-
Index Linked Sep 9	£73.93	74.87		-
Property Sep 9	£110.37	116.43		-
Cash Sep 9	£31.3814	31.3814		-
Pre-Linked Retirement Plan				
Managed Sep 15	415.6	433.0		-
Cash Sep 15	288.3	300.5	+0.4	-
Prudential Pension Investment Account				
Pens Mngd Sep 15	170.8	[illegible]		-
Pens UK Eq Sep 15	295.9	319.1		-
Pens Intl Sep 15	189.6	203.3		-
Pens Global Eqty Sep 15	94.5	99.5		-
Pens Fixed Sep 15	242.1	255.5		-
Pens Index Lk Sep 15	190.7	201.4		-
Pens Property Sep 15	89.2	93.9		-
Pens Cash Sep 15	188.0	198.1		-
Money Purchase Plan				
Discretionary Sep 16	94.6	101.5	+1.0	-
Equity Sep 16	96.2	103.5	-2.0	-
International Sep 16	85.8	91.6	+0.9	-
Global Equity Sep 16	93.1	99.9	-1.0	-
Intl Bond Sep 16	99.9	105.1	[illegible]	-
Fixed Interest Sep 16	112.0	117.7	-0.9	-
Index Linked Sep 16	99.5	104.8	-0.7	-
Property Sep 16	99.7	109.3		-
Cash Sep 16	107.3	112.7	[illegible]	-

Prudential Individual Life Funds

1 Stephen St, London W1P 2AP 071-548 3287

	Bid Price	Offer Price	+ or -	Yield Gross
Series I Life Funds				
Managed	550.2	579.2	-8.9	-
Equity	1098.7	1156.6	-29.3	-
Fixed Interest	492.1	518.0	-5.8	-
Property	391.3	411.9		-
Cash	349.8	368.3	+0.1	-
International	381.6	401.7	-1.7	-

Scottish Amicable—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Funds				
Building Society	165.5	174.3	+0.1	-
Managed (Unit)	181.8	190.6	+0.1	-
Managed (Acc)	342.9	361.0	[illegible]	-
Equity (Unit)	201.5	212.2	-1.5	-
Equity (Acc)	381.9	402.0	-2.7	-
Property (Unit)	149.6	157.5		-
Property (Acc)	282.5	297.4		-
International (Unit)	170.0	179.0	+1.2	-
International (Acc)	322.0	339.0	+6.0	-
Fixed Interest (Unit)	199.5	210.1	+0.1	-
Fixed Interest (Acc)	378.1	[illegible]	+0.3	-
Cash (Unit)	154.3	162.4		-
Cash (Acc)	292.2	307.6	+0.1	-

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	181.4	190.9	+0.4	0.0
UK Equity	180.0	189.5	+0.1	0
International	177.4	186.7	+1.0	-
American	179.1	188.5	+3.7	-
European	186.1	195.9	[illegible]	-
Japan	166.4	175.2	+1.2	-
Pacific	217.2	228.6	[illegible]	-
Technology	227.3	239.3	[illegible]	-
Fixed Interest	155.8	164.0	-1.8	-
Indexed Linked	125.6	132.2	-1.6	-
Foreign Bond/Currency	178.2	187.6	+0.4	-
Cash	166.30	175.147	+0.031	-
Ethical	94.35	99.3	+0.3	-
European Bond	99.8	105.1	+0.4	-
Pens Mixed	480.7	506.0	+0.9	0
Pens UK Equity	566.8	596.6	-4.0	-
Pens International	492.3	518.2	+2.3	0
Pens American	173.6	182.7	+3.9	-
Pens European	193.5	203.7	[illegible]	0
Pens Japan	175.9	185.2	-1.3	-
Pens Pacific	239.4	252.0	+5.9	-
Pens Fixed Interest	295.7	311.3	-3.8	-
Pens Index Linked	155.8	164.0	-2.0	-
Pens Cash	262.17	275.968	+0.073	-
Pens Property	212.0	223.2		-
Pens Ethical	111.5	117.4	-0.1	-

Sun Alliance Group—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Broker Funds				
Bandhall	131.8	138.8	-0.6	-
Pension Funds				
Managed	349.2	367.6	-7.9	-
Building Society	176.3	185.6		-
Deposit	328.5	326.9	+0.1	-
Equity	407.7	429.2	-13.3	-
Equity Income	120.4	126.8	-4.2	-
Far East	56.04	59.00	-0.70	-
Fixed Interest	378.4	398.4	-5.3	-
Index Linked	336.0	353.7	-6.1	-
International	385.6	405.9	-3.2	-
Property	236.2	248.7		-
[illegible]	130.4	137.3	+1.5	-
Fram Special Managed	117.7	123.9	-1.8	-
Fram America Smlr Co.	111.6	117.5	+1.6	-
Fram America Income	108.2	113.9	+1.4	-
Fram Capital Tst.	110.0	115.8	-2.5	-
Fram Intl Growth	120.4	126.8	+0.3	-
[illegible]	128.1	134.9	+0.5	-
Fram Recovery Tst	147.7	155.5	-0.5	-
GT Special Mngd	105.4	111.0		-
GT Amer Spec Sits	130.1	137.0		-
GT Capital	125.8	132.5		-
GT European	105.2	110.8		-
GT Far East & Gen.	112.7	118.7		-
GT International	99.50	104.8		-
GT Japan & General	84.40	88.90		-
GT US & General	125.4	132.0		-
Broker Funds				
Bandhall	106.1	111.7	-0.6	-
EBS Deposit	103.4	[illegible]		-
EBS Equity	92.50	97.40	-3.10	-
EBS Managed	331.2	348.7	-4.1	-
Phoenix Life Funds				
Wealth Assured	446.1	469.7	-21.8	-
Ebor Phoenix Eqty	324.0	345.9		-
Phoenix Pension Funds				
Special Mngd	190.0	200.0	-4.3	-
Building Society	223.0	234.7	+0.1	-
Equity	216.4	227.7	[illegible]	-
Fixed Interest	217.8	[illegible]	-3.2	-
International	174.4	183.5	-2.4	-
Money	232.5	244.7	+0.1	-

Windsor Life Assur Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Fortune Bnds	243.8	256.6		-
Eve. Yrs (Managed)	516.4	512.3		-
[illegible]	190.2	200.4		-
[illegible]	153.9	162.0		-
Pacific	546.8	575.5		-
Property	237.8	250.3		-
[illegible]	133.0	133.0		-
[illegible]	152.3	152.3		-
[illegible]	219.8	231.4		-
UK Equity	214.4	225.6		-
UK Tracker	116.4	122.4		-
[illegible]	98.2	104.4		-

Woolwich Life Assurance Co Ltd

1-3 Gresham, [illegible], Surrey [illegible] 0737 770000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fd		112.6		-

Zurich Life Assurance Co Ltd

22 Guildhall Walk, Portsmouth PO1 2LR 0705 822200

	Bid Price	Offer Price	+ or -	Yield Gross
UK Managed	116.1	122.2	-3.6	-
International	212.7	223.9	+0.5	-
Swiss	131.5	138.4	+1.4	-
UK Equity	113.0	118.9	-4.0	-
UK Gilt & Fixed Int	123.2	129.7	-2.0	-
Security	128.9	135.7		-
Guaranteed Deposit	117.8	124.0		-

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Victory Hse, Prospect Hill, Douglas, IoM 0624 677877

	Bid Price	Offer Price	+ or -	Yield Gross
European Equity	76.4	82.1		-
Far Eastern Equity	$1.256	1.350		-
North American Equity	$0.968	1.040		-
UK Equity	90.6	97.4		-
UK Gilt & Fixed Int	86.2	92.6		-
Dollar Deposit	$0.669	0.719		-
Sterling Deposit	89.4	96.1		-
Managed Currency	58.3	62.6		-
International Managed	77.6	83.4		-

AEtna Intl Assurance (Bermuda) Ltd

Royal Life Intl. Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Analysis APM O/S Fd.	£1.334	1.435		-
Analysis Bal Inv Port	£1.011			-
AS & Co Offshore Bal F	£0.912	0.981		-
Lazard Intl Fd	£1.425	1.470		-
Vaujon & Co Int Port.	£1.003	1.079		-
YRA Growth Fd	£0.939	1.010		-
YRA $ Growth Fd.	$0.914	0.983		-
YRA Special Oppn	£0.803	0.864		-
S A M 1	$1.463	1.540		-
S A M 2	$1.347	1.418		-
S A M 3	£1.447	1.524		-
S A M 4	£1.396	1.470		-

Royal Skandia Life Assurance Ltd (z)

Skandia Hse, Finch Rd, Douglas, IoM 0624 611621

	Bid Price	Offer Price	+ or -	Yield Gross
£ Cautious Accumulr	£1.072	1.152	+0.005	-
£ Balanced Accumula	£1.024	1.101	-0.015	-
£ Aggressive Accumula	£1.002	1.077	+0.006	-
£ Cautious Gartmore Flight	£0.930	1.000		-
£ Balanced Gartmore	£0.947	1.018		-
£ Balanced Fidelity	£1.020	1.096	+0.001	-
£ Balanced Skandia SICAV	£0.951	1.022	+0.019	-
£ Balanced INVESCO MIM	£1.296	1.393	+0.004	-
£ Aggressive Perpetual	£1.021	1.097	+0.034	-
£ Deposit	£1.394	1.498	+0.001	-
£ Building Society	£1.371	1.474		-
$ Cautious Accumula	$1.147	1.233	+0.002	-
$ Balanced Accumula	$1.081	1.162	-0.019	-
$ Aggressive Accumula	$1.111	1.194	+0.005	-
$ Cautious Gartmore Flight	$0.942	1.006		-
$ Balanced Gartmore	$0.942	1.012		-
$ Balanced Fidelity	$1.119	1.203	-0.002	-
$ Balanced Skandia SICAV	$0.988	1.062	+0.012	-
$ Balanced INVESCO MIM	$1.093	1.175	+0.005	-
$ Aggressive Perpetual	$0.953	1.024	-0.002	-
$ Deposit	$1.119	1.203		-
ECU Cautious Gartmore Flight	Ecu0.939	1.009		-
ECU Balanced Gartmore	Ecu0.918	0.987		-
ECU Balanced Sk SICAV	Ecu0.917	0.986	+0.022	-
ECU Balanced INVESCO MIM	Ecu0.929	0.998		-
S.A.M. 1	A$1.386	1.489		-
S.A.M. 2 A$	A$1.054	1.109		-
S.A.M. 3	£1.414	1.488		-
S.A.M. 4	£1.390	1.463		-

Fidelity Money Funds—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lire Accum			L—	16521	+54	10.5
Lire Dist			L—	15507	+52	10.5
NZ$ Accum			NZ$—	31.377	+0.15	8.80
NZ$ Dist			NZ$—	30.186	+0.01	8.80
Pta Accum			Pta—	1931.5	+1.4	12.6
Pta Dist			Pta—	1827.5	+1.0	12.6
£ Accum			£—	10.767	+0.0	9.70
£ Dist			£—	10.114	+0.0	9.70
SFr Accum			SFr—	26.492	+0.01	6.70
SFr Dist			SFr—	23.224	+0.01	6.70
US$ Accum			$—	20.491	+0.01	3.20
US$ Dist			$—	20.063	+0.01	3.20
Yen Accum			Y—	2585.5	+0.6	3.00
Yen Dist			Y—	2510.4	+0.7	3.00

Prices for dealing Sep 16

Lloyd George Management

41 Cedar Ave, Hamilton, Bermuda HK 852 8454433

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
World Success Sep 8			$—	9.5242		-

Newport Investment Management

73 Front street, Hamilton, Bermuda

UK 024 029 661 Guernsey 0481 714156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Npt. Iberia Fd	5		$—	0.7081		-
Npt Intl Inc(10-1)	3		$—	1.8993		-
Newport International Management						
Npt. Pacific (10-1)	5		$—	3.0321		-

Orion Fund Limited

6 Front St, Hamilton, HM11, Bermuda 809 295 4000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Orion Aug 31			$—	13.35		-

CANADA (SIB RECOGNISED)

GBC Asset Management

UK Agent, Ivory & Sime Plc

Sarasin Funds Mangmt (Guernsey) Ltd

PO Box 24a, St Peter Port, Guernsey 0481 725021

Schroder Investment Mangmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 710681

GUERNSEY (REGULATED)(**)

Adams & Nevile Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mangmt (Guernsey) Ltd

Bantrust Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas IoM 0624 627610						
Intl Grth	5¼	469 8	469 8	504.3	-1.1	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	84 07	84 07	90.20	-2.28	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662295						
Merc IoM Fund	5	95.48	95.48	101 9	-2.88	6.7
Merc Intl Bond	5	52.39	52.39	56 07	+0.30	8 0
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	1.0399	1.0399	1.1105	[illegible]	10
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	–	115.91	123.49	-1.05	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gr's
ATC Fund Management (SG) Ltd				
SG International		$10 69		–
AXA Equity & Law Intl Fund Mgs				
European Equity	144 76	152.35	+0 15	–
Far Eastern Equity	$2.2426	2.3603	+0.0022	–
North Amer Equity	[illegible]	[illegible]	+0.0231	–
UK Equity	150 63	158 53	-0 96	–
Global Equity	105.88	111 43	+0.12	–
UK Gilt & Fixed Int	100 24	105.50	-0 64	–
Dollar Deposit		$0 9810		–
Sterling Deposit		£101 17	+0.02	–
Managed Currency	93 89	98.80	+0.46	–
Appleton Financial Advisors Ltd				
Appleton Capital Trust	94 0	101.0		–

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Sep 10 C$12.58						
First Aust Prime Inc Inv Co Ltd NAV Sep 10 US$10.32						
NAV Diluted to reflect exercise of all Wrts C$12.39 US$10.17						
Fidelity Investment (CI) Ltd						
Sterling American			£2.531	2 664	-0 023	–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Caledonia Inv Corp Inc			$9 46			–
Deutschland Inv Co NAV			DM16.53			–
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10 830		+0 010	–
Sterling Cash			£12.266		-0.004	–
US$ Bonds			$15.588		-0.052	–
Multicurrency Bonds			$20.974		-0.121	–
Sterling Bonds			£13.425		-0.115	–
D Mark Bonds			DM10.870		+0 020	–
Ecu Bonds			Ecu11.650		-0 047	–
UK Equities			£9.725		-0 185	–
US Equities			$16.893		+0 013	–
Japanese Equities			Y630 5		-0 005	–
Cont Euro Equities			DM15.910		-0.109	–
UK Negative Equities			£19 868		+0.248	–
US Negative Eq			$9 908		+0 058	–
Japanese Negative Eq			Y1034.3		+3.3	–
Cont Eur Negative Eq			DM–			–
UK Geared Equities			£9.723		-0.407	–
US Geared Equities			$–			–
Japanese Geared Eq			Y1108.4		-4 6	–
Cont Euro Geared Eq			DM10 724		-0.156	–
Gold			$10.385		+0 015	–
Protected Capital Plus			–			–
John Govett Management (Jersey) Ltd						
Nalop's Euro Co NAV Sep 11			$10 07			–
Swiss Swing Fd NAV Sep 11			$7 07			–
Paragon Fd NAV Aug 28			$10.89			–
Paragon Redempt Int			$10.25			–

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Massive selling of sterling

HEAVY pressure on sterling yesterday culminated in the suspension of the currency from the exchange rate mechanism after the end of European trading, *writes Tracy Corrigan.*

During the day, two consecutive rate rises by the Bank of England and an estimated £9bn of concerted central bank intervention failed to halt massive selling of sterling in the foreign exchange market.

In spite of an increase in the minimum lending rate from 10 per cent to 15 per cent, the pound remained under intense pressure throughout the day, repeatedly falling below its ERM floor of DM2.778. The second rate rise was cancelled when sterling was suspended from the ERM.

Sterling slid further after 4pm, the cut-off point for obligatory intervention by European central banks to support weak currencies in the ERM. By the close of London trading, the pound had fallen to DM2.75, nearly 3 pfennings below the official floor.

A trader said: "The market has really got the bit between its teeth now, but the assault on the currency would never have been so effective if it were purely speculative." The shift of capital from UK markets by fund managers and corporate treasurers proved irresistible.

By the end of the day, the task of keeping sterling within its ERM band seemed insurmountable, as rumours of a realignment – or even an abandonment of the ERM – swept the market. The scale of the sterling crisis overshadowed worries about the French referendum on Sunday, which is now being viewed almost as a secondary issue.

The first UK rate rise, from 10 per cent to 12 per cent, followed repeated intervention by the Bank of England, which was joined by the Bundesbank and the Banque de France. The swift draining of foreign exchange reserves failed to boost the pound, which hovered around its floor against the D-Mark as foreign exchange dealers and fund managers sold sterling.

Continued pressure on the pound then prompted a further rate increase to 15 per cent at 2.15pm. But this second rate rise served to increase selling pressure further, as speculation mounted that some sort of devaluation of sterling was becoming inevitable.

Meanwhile, the lira, peseta and Swedish krona also came under pressure. The Bank of Italy bought lire for D-Marks, but failed to prevent the currency from falling below its new ERM floor of L820.68 per D-Mark. The Bank of Spain, which bought pesetas aggressively at a higher level, was somewhat more successful in stemming the Spanish currency's decline, which ended at Pta67.64 to the D-Mark.

The Swedish authorities again hoisted their marginal lending rate, this time to 500 per cent, in an effort to stem a further outflow of capital from the Swedish financial markets.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
D-Mark	2.03942	2.00994	-1.45	6.19	59
Dutch Guilder	2.29789	2.26507	-1.43	6.17	45
Belgian Franc	42.0639	41.4665	-1.42	6.16	43
Irish Punt	0.761276	[illegible]	-0.60	5.29	[illegible]
Portuguese Escudo	177.305	176.540	-0.43	[illegible]	[illegible]
Danish Krone	7.77921	7.75023	-0.37	5.04	-7
Italian Lira	1636.61	1638.10	0.09	4.56	[illegible]
French Franc	6.83992	6.85628	0.24	[illegible]	-42
Spanish Peseta	132.562	135.334	2.09	2.51	[illegible]
Sterling	0.691328	0.723488	4.65	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7920 - 1.8750	1.8105 - 1.8115	4.20-3.70cpm	[illegible]	6.00-5.50pm	12.70
Canada	[illegible]	2.2200 - 2.2210	1.13-1.18cpm	6.24	3.07-2.98pm	5.45
Netherlands	[illegible]	[illegible]	[illegible]	1.69	[illegible]	[illegible]
Belgium	55.65 - 57.50	56.35 - 56.45	12-7cpm	2.02	28-22cpm	1.77
Denmark	[illegible]	10.5800 - 10.5900	[illegible]	-0.35	[illegible]	0.28

EXCHANGE CROSS RATES

Sep.16	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	[illegible]	2.750	226.2	9.330	2.392	[illegible]	2265	2.220	56.40	186.0	1.410
$	0.552	1	1.518	124.9	5.152	1.321	1.713	1251	1.226	31.14	102.7	0.779
DM	0.364	0.659	1	82.25	3.393	0.870	[illegible]	823.6	0.807	20.51	67.64	0.513
YEN	[illegible]	8.006	[illegible]	[illegible]	41.25	10.57	[illegible]	10013	9.814	249.3	822.3	6.235
F Fr.	1.072	1.941	2.947	242.4	[illegible]	2.564	3.325	2428	2.379	60.45	[illegible]	[illegible]
S Fr.	0.418	0.757	1.150	94.57	3.901	1	1.297	946.9	0.928	23.58	77.76	0.589
N Fl.	0.322	0.584	0.887	72.92	3.008	0.771	1	730.2	0.716	18.18	59.96	0.455
Lira	0.442	0.800	1.214	99.87	4.119	1.056	1.370	1000.	0.980	24.90	82.12	0.623
C$	0.450	0.816	1.239	101.9	4.203	1.077	1.397	1020	1	25.41	83.78	0.635
B Fr.	1.773	3.211	4.876	401.1	16.54	4.241	5.500	4016	3.936	100.	329.8	2.500
Pta	0.538	0.974	1.478	121.6	5.016	1.286	1.668	1218	1.194	30.32	100.	0.758
Ecu	0.709	1.284	1.950	160.4	6.617	1.696	2.200	1606	1.574	40.00	131.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

Long term Eurodollars: two years 4⅛-3⅞ per cent; three years 4¾-4⅝ per cent; four years 5¼-5⅛ per cent; five years 5⅞-5⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

*Floating rate. Iran Official rate £119 55 563 30

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.8110	1.7725	1.7535	1.7360	1.6760

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	4.82	-	0.46	0.61	-
105	3.73	-	-	0.62	0.69	-
106	2.95	[illegible]	-	0.80	0.92	-
107	2.27	-	-	[illegible]	[illegible]	-
108	1.63	2.85	-	1.40	1.51	-
Open int.	208,767	48,864	1,300	208,767	48,864	1,300

Estimated volume 149,642 † Total Open Interest 317,862
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	15	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	15	Midland Bank	12
AIB Bank	10	Dao Heng Bank Plc	13	Mount Banking	12
● Henry Ansbacher	12	Duncan Lawrie	15	NatWestminster	12
B & C Merchant Bank	13	Equatorial Bank plc	10	Northern Bank Ltd	12
Bank of Baroda	12	Exeter Bank Limited	15½	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	12	● Robert Fleming & Co.	12	● Rea Brothers	10
Bank of Ireland	12	Robert Fraser & Ptrs.	12.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	12	Royal Bk of Scotland	12
Bank of Scotland	12	● Guinness Mahon	12	● Smith & Williamson Secs.	10
Banque Belge Ltd	12	Habib Bank AG Zurich	10	Standard Chartered	12
Barclays Bank	12	● Hambros Bank	10	TSB	12
Brit Bk of Mid East	12	Hampshire Trust Plc	13.5	Unibank plc	12
● Brown Shipley	12	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	12	● Hill Samuel	12	Unity Trust Bank Plc	12
Citibank NA	12	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Clydesdale Bank	12	Julian Hodge Bank	10	Yorkshire Bank	12
Co-operative Bank	12	● Leopold Joseph & Sons	10		
Coutts & Co	12	Lloyds Bank	12		
		Meghraj Bank Ltd	12		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Overnight rates soar

CONFUSION AND turmoil hit the UK money markets after the Bank of England announced it was raising its minimum lending rate to 15 per cent in an attempt to stop the pound falling through its floor in the European exchange rate mechanism, *Emma Tucker writes.*

Overnight rates soared to 100 per cent as liquidity was squeezed and the government did everything it could to avoid a devaluation of sterling. "The authorities have been pulling out all the stops to show that they are not going to devalue," said one analyst.

UK clearing bank base lending rate 12 per cent from September 16, 1992

Speculation of a rise in base rates was already rippling through the market early yesterday morning after intervention by European central banks on Tuesday had failed to lift sterling off its DM2.7780 floor.

In the early round the Bank of England announced a forecast liquidity shortage of £650m. This was followed at 11am by the news that it was reintroducing a minimum lending rate of 12 per cent, which triggered a two-point rise in base lending rates to 12 per cent from 10 per cent.

But on the foreign exchanges it soon became apparent that the authorities' action had little effect on sterling.

Later in the morning the Bank announced that any discount houses wanting to borrow from the Bank were invited to do so at 2.30pm, but diverged from normal practice by not stating the rate.

This suggested another rate rise in the afternoon. At 2.30pm the Bank announced a three-point rise in the minimum lending rate to 15 per cent. This time, however, the clearing banks said they would wait until today to announce their intentions.

By the end of the day the Bank said it had lent £920m to the market at 12 per cent.

Interbank rates eased in later trading as the market started to come to the conclusion that sterling would be devalued.

The key three-month interbank rate stabilised at around 16 per cent. One-week money came down to around 25 per cent, while further out, one-year money closed at around 12.5 per cent.

Sterling futures also rallied in the middle of the afternoon on the back of speculation that the pound would be devalued. The December short sterling traded in a 155-point range in heavy trading.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.16) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm

Prime rate	6	One month	2.68	Three year	4.34
Broker loan rate	5	Two month	2.90	Five year	5.35
Fed funds	3¼	Three month	2.95	Seven year	5.90
Fed funds at intervention	-	Six month	2.99	10-year	6.39
		One year	3.13	30-year	7.33
		Two year	3.80		

Sep.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.20-9.35	9.35-9.50	9.35-9.50	9.35-9.50	9.35-9.50	9.50
Paris	9⅞-10⅛	10-10⅛	10-10⅛	10⅛-10⅜	10⅛-10⅜	9.60
Zurich	6½-6¾	7⅛-7⅜	-	7⅛-7⅜	-	-
Amsterdam	9.25-9.37	9.10-9.20	-	9.00-9.10	-	-
Tokyo	4⅛-4¼	4¼-4⅜	-	4¼-4⅜	-	-
Milan	17⅝-17⅞	27-28⅛	-	19⅝-20⅛	-	-
Brussels	9⅜-9⅝	9⅜-9⅝	-	9⅜-9⅝	-	-
Dublin	10-10¼	10⅞-10⅝	10½-10⅝	10½-10⅝	10½-10⅝	-

LONDON MONEY RATES

Sep 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	20	40	30	17	15	13
Interbank Bid	3	11	11	11	11	11
Sterling CDs.	-	-	na	na	na	na
Local Authority Deps.	10¼	10½	10⅞	na	na	na
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13	18	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	na	na	na	na	na	na
Treasury Bills (Buy)	-	-	na	na	na	-
Bank Bills (Buy)	-	-	na	na	na	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	3.06	3.06	[illegible]	3.22
SDR Linked Dep. Offer	-	-	6⅛	6	6	6
SDR Linked Dep. Bid	-	-	5⅞	5¾	5¾	5¾
ECU Linked Dep. Offer	-	-	11⅛	11⅛	11⅛	10⅝
ECU Linked Dep. Bid	-	-	11⅛	10⅞	10⅞	10⅛

Treasury Bills (sell); one-month na per cent; three months na per cent; six months na per cent; Bank Bills (sell); one-month na per cent; three months na per cent; Treasury Bills; Average tender rate of discount 9.6665. ECGD Fixed Rate Sterling Export Finance. Make up day August 28, 1992. Agreed rates for period Sep. 23, 1992 to October 25, 1992, Scheme I: 11.38 p.c., Schemes II & III: 11.66 p.c. Reference rate for period August 1, 1992 to August 28, 1992, Scheme IV&V: 10.379 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from September 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.(na) Rates unavailable at source.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKET FUNDS

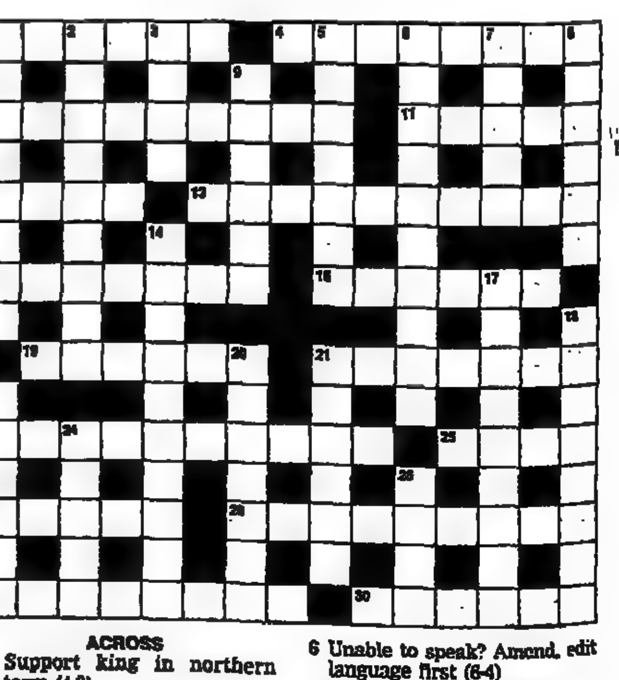
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,953 Set by QUARK



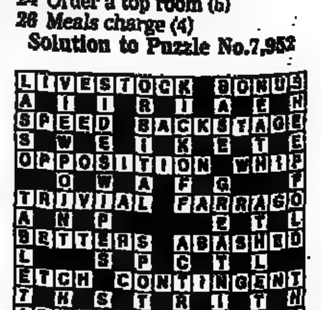
ACROSS

1 Support king in northern town (4,2)
4 Paper over the border (8)
10 Girl's standing after trick? (9)
11 Lady's redesigned manor (5)
12 Dull apartment (4)
13 Upset soup after roll? (4,6)
15 Book the sub (7)
16 Backer playing no part (6)
19 Costa Rica river disaster (6)
21 Shelter in Gulf in the wars, triumphant (7)
23 Clever person to issue an original work (10)
25 Dean partly wearing ermine (4)
27 Appeared on stage and negotiated second half (5)
28 Manage tan at sea? Must be the salt (9)
29 Naval establishment cut off at length (8)
30 Permit short stop? It's dangerous (6)

DOWN

1 Go wrong when exhausted? (8)
2 Solicitor not qualified in law? (9)
3 Occupied with part in rise of Open University (2,2)
5 Clear away and make a profit (5,2)
6 Unable to speak? Amend, edit language first (6-4)
7 In summer I take credit (5)
8 North American tree could be relatively better than spruce? (6)
9 Fixture always will survive (6)
14 December 25th now? (7,3)
17 Composer almost upset another one (9)
18 Depressed inventor's flower (8)
20 One with a plot not necessarily a gardener (7)
21 Lead underground? (6)
22 A panel on ship (6)
24 Order a top room (5)
26 Meals charge (4)

Solution to Puzzle No.7,952



WORLD STOCK MARKETS

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

FRANCE (continued) — [illegible]

GERMANY — [illegible]

GERMANY (continued) — [illegible]

ITALY — [illegible]

NETHERLANDS — [illegible]

NETHERLANDS (continued) — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWEDEN (continued) — [illegible]

SWITZERLAND — [illegible]

SOUTH AFRICA — [illegible]

JAPAN — [illegible]

AUSTRALIA — [illegible]

AUSTRALIA (continued) — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible] unavailable. [illegible] Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4 pm close September 16

Quotations in cents unless marked $

[illegible]

Sales	Stock	High	Low	Close	Chng
2700	Jannock	$14⅞	14⅝	14⅞	+⅛
500	KerrAddis	u$16¾	16½	16¾	+¼
73000	Labatt	$29½	29⅛	29¼	−⅛
100200	Lac Minls	$8¾	8⅞	9	+⅛
200	Lafarge	$15¼	15¼	15¼	
7500	Laidlaw A	$10	10	10	−¼
080400	Laidlaw B	$10⅞	9⅞	10	
1200	Laurent Bk	$18⅛	18⅛	18⅛	
100	StLawCm A	$9	9	8⅞	

Total Sales 19,380,200 shares

MONTREAL

4 pm close September 16

[illegible]

Sales	Stock	High	Low	Close	Chng
618800	NatBk Can	$8¼	8	8¼	
8500	Quebecor A	u$15⅞	15¼	15⅞	
9800	Teleglobe x	$13	12⅞	12⅞	−⅛
1400	Univa x	$7⅞	7⅞	7⅞	−⅛
25600	Videotron	$17	16¾	17	+¼

INDICES

NEW YORK

DOW JONES	Sep 16	Sep 15	Sep 14	Sep 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3319.21	3327.32	3376.22	3305.70	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.86	102.93	103.04	102.85	103.04 (14/9)	98.41 (20/3)	103.04 (14/9/92)	54.99 (1/10/81)
Transport	1272.13	1285.83	1300.25	1277.59	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.58	219.14	221.39	221.03	225.59 (3/1)	200.74 (8/4)	226.23 (2/1/90)	10.50 (8/4/32)

DJ Ind. Day's High 3353.92 (3372.98) Low 3288.95 (3317.86) (Theoretical)†
Day's High 3338.93 (3374.87) Low 3307.60 (3323.27) (Actual)†

STANDARD AND POOR'S

	Sep 16	Sep 15	Sep 14	Sep 11	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	419.92	419.77	425.27	419.58	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	495.81	496.43	503.30	495.96	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.12	35.07	35.45	34.79	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	231.07	231.04	233.73	230.80	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	385.52	385.73	390.05	386.45	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	585.89	587.86	594.21	583.01	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 11	Sep 4	Aug 28	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.15	3.16	3.07

	Sep 9	Sep 2	Aug 26	year ago (approx.)
S & P Industrial div. yield	2.64	2.63	2.64	2.70
S & P Ind. P/E ratio	27.46	27.52	27.18	21.33

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Royal Dutch		86½	+ ¼
IBM		82⅞	- 2⅛
Glaxo		28⅝	- ¼
Merck		47	- ⅛
Gen Motors		33¼	- ⅛
Du Pont		47	- ⅞
Ford Motor		41¼	- ⅛
RJR Nabisco		8⅛	- ⅛
Hanson		19⅛	+ ⅛
Philip Morris		84½	—

TRADING ACTIVITY

† Volume (Millions)	Sep 16	Sep 15	Sep 14
New York SE	229.380	200.220	250.107
Amex	17.004	14.488	12.610
NASDAQ	(a)	183.013	226.999
NYSE			
Issues Traded	2,324	2,334	2,352
Rises	780	494	1,295
Falls	967	1,325	573
Unchanged	577	515	484
New Highs	54	51	134
New Lows	38	22	16

CANADA

TORONTO	Sep 16	Sep 15	Sep 14	Sep 11	1992 HIGH	1992 LOW
Metals & Minerals	2944.58	2957.18	2975.59	2919.37	3238.87 (16/1)	2828.26 (8/4)
Composite	3453.80	3464.10	3470.40	3440.60	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1789.63	1804.87♦	1805.60	1786.45	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♦ Corrected figure.

	Sep 16	Sep 15	Sep 14	Sep 11	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1506.4	1530.4	1536.7	1501.2	1684.50 (22/5)	1478.90 (9/9)
All Mining (1/1/80)	667.1	676.4	677.7	662.5	726.80 (3/7)	652.40 (9/9)
AUSTRIA						
Credit Aktien (30/12/84)	328.46	330.19	331.19	318.10	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	795.75	799.20	804.04	745.85	1049.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1110.60	1107.96	1120.25	1079.58	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	266.88	271.58	274.30	269.99	365.29 (15/1)	266.88 (16/9)
FINLAND						
HEX General (28/12/90)	577.1	586.2	589.3	573.9	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/82)	485.71	496.70	495.21	481.49	555.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1859.78	1836.15	1873.60	1801.99	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	612.55	621.03	623.34	608.27	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1733.4	1758.1	1765.5	1697.1	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1584.56	1587.55	1595.04	1527.88	1811.57 (25/5)	1468.91 (25/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5633.13	5663.84	5607.15	5531.29	6162.55 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1204.09	1219.03	1209.78	1196.07	1469.57 (17/1)	1196.07 (11/9)
ITALY						
Banca Com. Ital. (1972)	354.93	373.14	379.04	367.09	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	696.0	733.0	746.0	720.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17944.70	(c)	18471.40	18107.69	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1352.60	(c)	1383.11	1369.85	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1771.18	(c)	1784.96	1793.59	2459.85 (6/1)	1582.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	585.15	585.91	583.74	580.79	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	293.6	290.4	292.4	284.1	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	197.9	195.8	197.1	193.1	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	562.52	567.88	583.64	597.38	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1433.44	1429.27	1418.51	1417.96	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	365.30	368.54	368.93	366.42	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	914.0a	894.0	905.0	857.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4087.0a	4132.0	4104.0	4020.0	4609.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	539.38	544.82	551.31	(c)	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	211.25	213.88	214.99	208.81	266.51 (28/2)	203.76 (26/8)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	740.8	745.6	759.9	720.3	1014.50 (11/5)	707.20 (10/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	853.8	848.4	857.5	837.5	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	638.9	634.8	642.1	624.9	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3664.52	3716.72	3685.04	(c)	5391.63 (30/1)	3664.52 (16/9)
THAILAND						
Bangk SET (30/4/75)	813.33	817.74	817.95	801.90	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	498.1♦	507.0	509.2	505.7	542.10 (7/1)	467.58 (8/4)
Euro Top-100 (26/6/90)	844.98	835.61	849.41	818.14	976.55 (25/5)	132.99 (3/9)

**Saturday September 12: Taiwan Weighted Price: (c), Korea Comp Ex. (c)
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, September 16, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Mining	1.2m	505	+3	Mitsubishi Hvy	0.3m	541	-18
Green Cross	0.4m	1,870	-80	Fuji Bank	0.3m	1,780	-140
Meiji Milk Prod	0.4m	1,080	-30	NPN Steel Corp	0.2m	300	+5
Nihon Nohyaku	0.3m	1,140	-40	Nomura Sec	0.2m	1,850	-50
Showa Denko	0.3m	316	-6	Ishi-Har Hvy Ind	0.2m	466	-11

4 pm close September 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	4.0	18	69	12	d11¾	11⅞	−⅛
26	18	A L Labs A x	0.18	0.8	81	544	22⅞	22⅜	22¾	−¼
68¾	52⅝	AMP Inc	1.52	2.6	23	4589	60⅞	59⅛	59½	−1⅛
60¼	55	AMR			21	9940	58½	57⅞	58	−⅞
2⅞	1⅞	ARX			18	89	1⅞	1⅞	1⅞	
38½	33⅞	ASA	2.00	5.5	24	789	36½	35⅞	36½	+1
34¼	26⅞	Abbott Lab	0.60	2.0	27	11066	30⅛	29½	29¾	−¼
13⅞	11⅞	Abitibi Pr	0.50	4.0	6	17	12⅜	12⅜	12⅜	−⅛
11⅝	10⅛	ACM Gvt In x	1.08	9.4		156	11⅜	11⅛	11¼	−⅛
10⅜	9⅛	ACM GvOps x	0.91	9.1		208	10	9⅞	10	+⅛
9⅞	8½	ACM Gvt Sp	0.89	9.4		177	9½	9⅜	9½	
11¼	10⅛	ACM Gvt Se	1.08	9.7		239	u11¼	11⅛	11⅛	
10⅝	8⅝	ACM Man x	0.99	9.4		341	u10⅝	10⅜	10½	+⅛
12⅞	10½	ACM Manage x	1.15	10.3		403	11⅛	11	11⅛	
11¼	4¼	Acme Cleve	0.40	5.6	13	222	7⅛	6⅞	7⅛	+⅛
6¼	4⅞	Acme Elect			35	5	4⅞	4⅝	4⅝	
33¼	15⅞	Acuson			10	1021	16	d15¾	15⅞	
19½	18⅛	Adams Expr	0.48	2.5	0	52	u19½	19⅜	19⅜	−⅛
49⅛	29½	Ad Micro	3.00	7.8		155	38⅞	38½	38½	−½
21½	7½	Ad Micro P	3.00	24.7		47076	12¼	11⅜	12⅛	−⅛
9⅛	4⅞	Advest Grp	0.16	2.9	88	101	5½	5¼	5½	+¼
40⅛	33	Aegon ADR x	1.68	4.3	7	5	39⅛	39½	39½	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
76	63½	Sallie Mae	1.00	1.4		2307	74	73	73½	−1⅛
14⅛	13	Salomon Br	1.46	10.3		300	14⅛	14	14⅛	+⅛
37⅞	26¼	Salomoninc x	0.64	1.8	10	1454	36	35½	35¾	
25	21¼	SanDgo G&E x	1.44	6.0	14	1480	24⅛	23⅞	24⅛	
3½	2⅝	SantaFeEDu	0.40	9.7	45	359	u4⅛	3½	4⅛	+⅝
9¾	7	SantaFeERs	0.16	1.7	237	503	9⅝	9½	9½	
39¼	30¾	SantaFePac	2.80	7.2	11	205	39	38¼	39	+⅝
14⅛	10⅞	SantaFeSth	0.10	0.8	18	2484	12	11¾	12	+¼
58⅛	46⅞	Sara Lee	1.00	1.7	18	2802	59	58⅝	57⅞	+⅜
9½	1¼	Savin			0	4	1⅝	1½	1½	
44¾	38⅞	Scana Corp x	2.68	6.3	13	223	42⅞	41¾	42⅞	+⅛
47⅝	40⅛	Scecorp	2.80	6.0	14	2551	46⅞	46⅜	46½	−⅜
68	49⅞	ScheringPl	1.56	2.6	17	4330	59⅝	58¾	59	−⅜
68⅞	52¾	Sch'berger	1.20	1.7	16	5335	69⅝	67⅞	68¾	+⅛
37¾	18⅛	Schwab(C)	0.24	1.2	9	2048	20	19⅜	19⅝	−⅝
10⅜	4⅞	Schwitzer			61	31	5⅝	5½	5⅝	
29⅞	15¼	ScientAtln	0.16	0.6	40	1027	28⅝	28	28⅝	+⅝
10⅝	7¼	Scotman	0.10	1.1	12	181	9	8⅞	9	
46	34½	ScottPaper	0.80	2.1	19	1086	38⅜	37½	37½	−¼
17½	13⅛	ScuddrNAsF	0.22	1.5		128	15¼	15	15⅛	
9¾	8⅞	ScuddrNEuF	0.30	3.2		181	9½	9¼	9¼	−⅛
24	16	Sea Contrs	0.20	1.1	11	22	18½	18⅜	18½	+⅛
15¾	14⅞	SeaC1.4625	1.46	9.3		17	u15¾	15¼	15¾	+½
31	28⅞	Seagram Co	0.56	2.0	15	1558	28¾	28⅜	28⅜	−⅜
32	21⅝	Seagull En			105	306	31¼	30⅝	31	−½
56⅞	43¾	Sealed Air			22	45	46½	44⅞	46⅞	−⅛
23	12⅛	SPX Corp	0.40	2.3	24	333	18	17	17⅝	−⅜
48	37	Sears Roeb	2.00	4.9	10	6617	41¼	40¾	41	−⅜
13¼	11⅞	Seligm Sel	0.84	6.7		180	12¾	12⅝	12⅝	
31⅛	22⅞	Sensormat	0.30	1.1	24	1065	28½	25⅞	28⅜	+¼
51	38¼	Sequa A x	0.80	1.6	37	22	38	37½	37¾	+⅛
58	45½	Sequa B x	0.50	1.1	26	10	48¾	48¾	47½	
18¾	15⅞	ServiceCpI	0.40	2.4	15	1676	17⅛	16⅞	17	
29⅞	22	Servicemir	1.18	4.2	16	280	28⅞	28	28	−½
29⅞	17	Shaw Ind	0.30	1.2	26	1034	24⅝	23½	24½	−⅜
19¾	8⅞	Shawmut Nt	1.00	7.0	25	2225	14⅝	14	14¼	
10¼	6⅛	Shelby Wil	0.24	3.0	34	13	7⅞	7⅞	7⅞	
57⅞	45⅝	Shell Tr&T	2.57	4.7	12	339	54⅞	54	54⅝	+⅛

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	24⅞	Xtra 1.94	1.94	5.8		21	33⅛	32½	33⅛	+⅛
45⅞	28½	Xtra Corp	0.80	1.8	13	207	45⅛	44	44⅞	+⅛
30¼	25¼	Yankee Egy	1.68	5.8	13	33	29	28⅞	28⅞	−⅛
1½	½	Zapata			35	82	1	1⅛	1	+⅛
11⅛	6⅝	ZenithElec			4	443	6⅞	6½	6⅞	+⅛
18½	14½	Zenith Nat	1.00	5.8	8	14	17⅜	17⅛	17⅜	−⅛
7½	6	Zenix Inc	0.85	11.6		68	7⅜	7⅛	7⅜	−⅛
19⅝	10	Zero Corp	0.40	3.6	18	88	11½	11¼	11¼	−⅛
38	27¾	Zurn Ind x	0.88	2.8	34	387	31	30⅞	31	+⅛
14⅛	12	Zweig Fund	1.12	8.6		158	13⅛	13	13	−⅛
11	9½	Zweig Tot x	0.96	9.1		591	10½	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 16

NASDAQ NATIONAL MARKET

4 pm close September 16

AMERICA

Dow erratic as Europe holds sway

Wall Street

US STOCKS moved erratically in a narrow trading range yesterday as Wall Street tried to absorb the bewildering events in European money markets, *writes Martin Dickson in New York.*

The Dow Jones Industrial Average closed at 3,319.21, *down 8.11, after retreating in* the late afternoon from a minor gain. Trading volume on the New York Stock Exchange was an active 231.4m shares. The Standard & Poor's 500 index ended a slight 0.14 up at 419.91 and the Nasdaq composite was finally 1.97 off at 585.89.

The blue chip Dow index declined some 16 points in reaction to the Bank of England's interest rate rise, but then began to rally as rumours swept New York that the Bundesbank would move quickly to cut German interest rates. US equities reversed direction again when Britain *suspended its currency from* the European exchange rate mechanism and hopes of a German rate cut faded.

A further domestic damper on the market was the US industrial production figures for August, showing a seasonally adjusted fall of 0.5 per cent, compared to a consensus forecast of a 0.3 per cent decline.

International Business Machines fell $2⅝ to $82¼ in active trading after several more analysts lowered their ratings on the stock and cut back their earnings forecasts. The move followed news late on Monday that another manufacturer of mainframe computers, Amdahl, was expecting a third-quarter loss because of poor market demand.

Among other blue chip stocks, General Electric put on $⅝ to $77⅛, AT&T lost $⅛ at $44⅛ and General Motors was down $⅝ at $33¼.

Federal Express, which reported a sharp fall in first-quarter net income after the market closed on Tuesday, dropped $2¾ to $36⅞. Yesterday several analysts lowered their earnings forecasts for the group and at least one downgraded the stock.

In the energy sector, Atlantic Richfield moved ahead $2⅞ to $119¾ as an analyst raised his forecast for the company's third-quarter earnings, citing *firm crude prices.* Occidental Petroleum eased $⅛ to $18⅝ after an analyst's downgrading of the stock due to chemical *market conditions.*

Polaroid was unchanged at $32⅞ in spite of news that the company had unveiled a new compact, autofocus instant camera.

General Dynamics gained $1¼ at $79¼ after a meeting with analysts on Tuesday at which the defence company produced evidence that its efforts to improve efficiency were bearing fruit. Several analysts yesterday lifted their 1992 and 1993 earnings forecasts for the group.

Canada

TORONTO closed near the day's low as uncertainty surrounding European currencies and interest rates pummelled bank shares, but the overall market was only moderately down. The same uncertainties boosted gold shares, the sector's index advancing 183.2 to 5,660.3.

The TSE 300 index ended 10.3 *off at 3,453.8 and falls out*scored rises by 318 to 247 after volume of 39.6m shares.

SOUTH AFRICA

JOHANNESBURG saw gold shares reverse early lows as uncertainty in foreign exchange markets pushed the bullion price to five-week *highs. The gold index rose 19* to 913 while the industrial index dropped 45 to 4,087; the overall index was 40 weaker at 3,138.

EUROPE

Strong currencies reap clear bourse rewards

BOURSES drew a clear distinction between weak and strong currencies in yesterday's pandemonium although Sweden, like the UK, seemed mollified by the extreme reaction at central bank level, *writes Our Markets Staff.*

On London indications, Switzerland and the Netherlands put up the best performances yesterday afternoon, and Spain and Italy the worst. Mr Reinhard Fischer, head of equity research at Paribas Capital Markets, noted that the Germans, in a so-called hard currency market, were paying DM1.14 for a Swiss franc compared with DM1.07 a few months ago.

STOCKHOLM had little time to evaluate the increase in the central bank's marginal lending rate, back to 75 per cent from the 20 per cent announced in the morning. The later rise to 500 per cent, as the bank moved to protect the currency against devaluation, came after the close. In a turbulent day the Affärsvärlden index lost 5.1 to 740.0 in turnover of some SKr430m, down some SKr599m on Tuesday.

FT-SE Eurotrack 100 - Sep 16

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1037.96	1037.63	1037.66	1041.06	1048.61	1049.50	1047.91	1053.63

Day's High 1057.53 Day's Low 1034.13

Sep 15	Sep 14	Sep 11	Sep 10	Sep 9
1051.69	1073.79	1033.57	1027.59	1021.42

Base value 1000 (26/10/90)

Mr David Longmuir of James Capel said that the massive interest rate rise would stop any speculation against the krona, but such a rate could only be held for a few days. The Riksbank later said that "considerable inflows of currency" had been noted after the rate rise was announced.

A stronger dollar helped some sectors, especially forestry, with Stora free shares rising SKr9 to SKr220 and SCA free shares gaining SKr2 to SKr285.

PARIS moved from lows in the morning session, reflecting news that President François Mitterrand had had cancerous tissue removed and the first of the day's two rises in UK interest rates, to gains in late trading.

Some analysts said that the market was given the boost by expectations of an EMS realignment today, accompanied by a devaluation of sterling and a further cut in the German Lombard rate.

Currency movements and a rise in the bond market fed through into equities and the CAC-40 index closed up 23.63 or 1.3 per cent at 1,859.78. The index had earlier seen a low of 1,786.37 while turnover rose to FFr3.4bn from FFr2.4bn.

FRANKFURT see-sawed but ended almost even, the DAX index closing just 2.99 lower at 1,584.56. Investors returned to German shares near the end of the session, via orders from the futures market, after the Netherlands and Belgium announced cuts in key interest rates; by then the market was talking seriously about further German cuts and realignments.

The speculation on another German interest rate fall – with the weekend cuts reflected in a further drop of 11 basis points, to 7.91 per cent, in the Bundesbank's average bond yield – prompted active trading in bank shares. Deutsche Bank rallied DM3.50 to DM650.50, putting on another DM5 in London later.

However, the accompanying strength in the dollar did not do much for carmakers; while BMW recovered in the afternoon, by about DM5 after an official close DM2 lower at DM547, Volkswagen lost DM1.00 in the session to DM330.00 and recovered little thereafter.

MILAN incorporated the losses seen in London on Tuesday afternoon, and after opening indications of an 8 per cent drop the Comit index fell 18.21, or 4.9 per cent to 354.93 during the official session. There were wide fluctuations in London's lira-denominated equivalent, but it ended less than 0.5 per cent down on the day.

Turnover in Milan was extremely heavy by recent standards, estimated at around L200bn after a climb from L78.2bn last Friday. Banca Commerciale Italiana bucked the bearish domestic trend, closing L212 higher at L2,766 on speculation that the government wanted to sell its 57 per cent stake in the bank, and quoting L79 higher at L2,845 in the post-bourse.

Fiat fixed L320 down at L3,505 and lost another L5 on the kerb.

ZURICH stood out like a good deed in a naughty world, the SMI index rising 20.3, or 1.1 per cent to 1,871.7 and, in London, the Swiss component of the FT-SE Eurotrack 100 index putting on 39.97, or 3 per cent to 1,357.01.

Dealers mooted the prospect of gradually lower European money market rates, and there was strong buying interest in interest rate-sensitive equities. In banking, SBC advanced SFr6 to SFr266; Zurich Insurance rose SFr55 to SFr1,955.

AMSTERDAM was lifted by the 0.25 percentage point cut in interest rates by the central bank and the CBS Tendency index closed 0.4 higher at 112.7.

Financial stocks were among the day's gainers with ABN Amro up Fl 1.50 to Fl 46.90, AMEV up Fl 1.70 at Fl 56.30 and Aegon Fl 1.40 higher at Fl 67.00.

MADRID came off intraday lows as the general index lost 2.63 to 211.25. The market was unsettled by activity in the rest of Europe and fears that the peseta may have to be devalued today, some analysts said. Post-bourse trading in the Spanish component of the FT-SE Eurotrack 100 index, calculated in D-Marks, reflected these fears with a 47 point fall to 1,000.79.

There was heavy trading in Telefónica which went against the trend, rising Pta30 to Pta1,085 with some 2.7m shares traded.

BRUSSELS, another strong currency market, put up a 2.84 point rise in the Bel-20 index to 1,110.60. Petrofina eased BFr10 to BFr8,740 with some 15,800 shares traded.

Banks were heavily traded following interest rate cuts elsewhere in Europe. Générale de Banque fell BFr70 to BFr6,800 while Kredietbank climbed BFr40 to BFr4,930 with 15,800 shares traded. In chemicals, Solvay fell BFr150 to BFr11,800.

ASIA PACIFIC

Nikkei falls 2.8 per cent to below the 18,000 level

Tokyo

TOKYO CAME back from a day's holiday to a fall of 2.85 per cent in low volume, on weak overseas markets followed by index-linked selling, *agencies report from Tokyo.*

The Nikkei average closed 526.70 down at 17,944.70, below *18,000 for the first time since* September 2, after registering a high for the day of 18,422.82 and a low of 17,853.57. Volume rose slightly, to 250m shares from Monday's 228m, and arbitrage was said to account for a lot of the business.

Declines outnumbered advances by 845 to 166, with 128 issues unchanged. The *Topix index of all first section* stocks retreated 30.51, or 2.2 per cent, to 1,352.60, and in London the ISE/Nikkei 50 index slipped 5.88 to 1,075.53.

Many investors had run out of ideas after the recent rally, which took the market up by 32 per cent in just over three weeks to September 10. They were tired, said brokers, of buying special situations, and while Germany's rate cut encouraged people on Monday, they decided yesterday that the recent rally has little to do with overseas factors.

Notable declining sectors were brokerage, banking and lending companies, non-life insurance, pharmaceuticals, warehousing, airlines, food and real estate. Transport was mixed, with railway and bus shares down and the trucking sector making the only advance of the day.

Aids-related issues were also mixed. The most heavily traded stock of the day, Nippon Mining, gained Y3 to Y505, but Green Cross fell Y60 to Y1,670, *Meiji Milk was Y30 lower at* Y1,060 and Nippon Zeon lost Y31 to Y692. Biotechnology company Nihon Nohyaku receded Y40 to Y1,140 on profit-taking after Monday's jump.

Roundup

WEAK sentiment abroad was reflected in most of the Pacific Basin equity markets yesterday.

AUSTRALIA's All Ordinaries index dropped 24.0 to 1,506.4, with BHP's 50-cent fall to A$11.98 responsible for a third of the decline. Overall turnover was a moderate A$226.2m.

Brokers said that there was increasing concern about BHP's newly acquired 32 per *cent stake in Foster's Brewing,* which posted an A$950m loss and made an A$1bn rights issue on Tuesday. BHP came under more pressure after it *offered to buy a further 5 per* cent of the Foster's equity from Citibank. Foster's shed 8 cents to A$1.38.

HONG KONG saw steep early losses pared by bargain hunters, the Hang Seng index closing 20.71 down at 5,633.13 after touching 5,599.10. Turnover fell further to HK$1.18bn from Tuesday's HK$1.29bn.

Trade talks and Sino-British negotiations on airport financing ended yesterday morning, but there was no report of progress from either. However, Jardine Matheson gained HK$1 at HK$53 on hopes of pleasant surprises as its group companies announce interim results.

SINGAPORE fell on institutional selling of blue chips, the *Straits Times Industrial index* losing 15.65 to 1,367.77 in volume of 34.6m shares.

TAIWAN sank in sluggish trade on continued worries *over last week's arrest of tex*tile tycoon and major market player Oung Ta-ming, and the weighted index ended 52.20, or 1.4 per cent, down at a 20-month low of 3,664.52. Turnover fell to a very thin T$13.8bn from Tuesday's T$18.2bn.

Brokers said overall selling was not too heavy as many investors believed prices were already low. However, stocks related to Oung continued to plunge, with Hualon Preferred losing T$6.50 to T$39.

MANILA just managed to buck the trend, the composite index closing 4.17 up at 1,433.44 in increasingly active trade. A strong showing by Philippine National Bank, in spite of *reports that it expects a sharp* drop in 1992 profits, was taken as a mild bull point for the market. PNB gained 5 pesos to 285 pesos, as combined turnover at Manila's two bourses rose from 173m to 264m pesos.

KUALA LUMPUR's institutional investors remained largely sidelined ahead of the Malaysian budget next month. Profit-taking countered support for selected second-liners and situation stocks, and the KLSE composite index closed 0.76 off at 585.15.

NEW ZEALAND followed overseas trends to end lower on less than average turnover, the NZSE-40 capital index easing 10.39 to 1,469.87 in NZ$18m, of which NZ$6m was in Telecom. The utility was one of the few leaders to rise, ending one cent higher at NZ$2.32.

BANGKOK took profits as trade slowed down in anticipa*tion of the formation of a new* government after Sunday's general election. The SET index ended 4.41 lower at 813.33 in turnover of Bt8.92bn.

ERM worries evident in August trade

John Pitt analyses turnover trends masked by the holiday break

European markets had plenty to consider during the traditional August holiday break. The overall 24 per cent fall in turnover for the eight markets covered in the analysis masks the fact that trading was at times extremely volatile, and that *rising mayhem in curren*cies reflected itself in equity markets.

Mr James Cornish of County NatWest, who compiles the monthly data, notes that the main reason for the turnover weakness, leaving aside the fact that many equity dealers were on vacation, "was growing pessimism about European currency unification following French opinion polls pointing strongly, for a time, to a No vote in the referendum.

"*Investors stayed away from* the potentially weak currency markets, presumably because, even if they had a view on which way the referendum would go, they were unwilling to make a bet on the result."

Belgium was the only market to improve on July figures, advancing by 19 per cent. In a recent review Rachael Rowe of Kleinwort Benson comments that the strong local currency and the lowest inflation in Europe, then around 2 per cent, were the lures attracting an inflow of funds.

However, she adds: "In abso*lute terms the market perfor*mance over the last month has been lacklustre. During the otherwise quiet period attention has focused on Petrofina, following the disappointing interim results mid-month and the weakening dollar.

"General market activity has been so low that trade in the stock has sometimes accounted for around half the daily market volume. With little counteractive positive news to dilute this effect upon the index, the market weakness has been principally due to the slide in that stock price."

Italy saw the month's biggest fall in activity, down almost 50 per cent from July, as the country was almost paralysed by political uncertainty and a deteriorating economy. On one day in the middle of August turnover shrank to L43bn, the lowest level of the year.

Activity in Spain also slowed substantially last month, declining by 41 per cent, with daily turnover sometimes slipping as low as Pta5bn, from a reasonably healthy daily average of Pta10bn.

This is another market that has been unable to excite inward investment, with foreigners becoming sellers during August. In its overview of the market, James Capel reports that in the three months to the end of August the construction and food sectors were the worst performing areas, underperforming the market as a whole by some 14 per cent.

Madrid-based broker FG Inversiones remarks that even a Yes vote in Sunday's French referendum is unlikely to have a dramatic effect as nervousness over the Spanish budget and a further batch of disappointing first-half results overhang the market.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	May 1992	June 1992	Jul 1992	Aug 1992	US $bn
Belgium	40.80	40.57	34.78	41.38	1.14
France	100.16	134.26	100.18	64.52	20.03
Germany	125.80	109.97	121.51	101.72	82.05
Italy	9,747.60	8,594.77	11,975.60	6,039.60	10.70
Netherlands	14.70	12.00	13.10	9.80	7.85
Spain	513.47	515.35	538.64	317.47	5.71
Switzerland	13.29	12.46	10.89	9.01	8.21
UK	35.35	34.05	34.33	26.68	55.85

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 16 1992								TUESDAY SEPTEMBER 15 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	130.14	−1.4	106.54	102.79	102.74	117.93	−1.7	4.15	132.00	104.57	103.68	101.95	119.98	153.68	124.36	150.98
Austria (19)	153.44	−3.1	125.62	121.20	121.14	120.53	−0.6	2.42	158.43	125.51	124.43	122.36	121.26	188.70	139.27	183.08
Belgium (42)	138.66	−2.2	113.52	109.51	109.47	106.52	−0.5	5.78	141.81	112.34	111.37	109.52	107.02	152.27	135.87	130.03
Canada (114)	125.15	−0.7	102.46	98.85	98.80	110.65	−0.3	3.14	126.01	99.82	98.96	97.31	111.00	142.12	124.32	136.75
Denmark (33)	196.78	−4.3	161.10	156.43	156.35	156.44	−2.0	1.82	205.57	162.85	161.46	158.76	159.64	273.94	196.78	257.04
Finland (15)	52.92	−5.5	43.33	41.80	41.78	52.68	−1.6	2.68	55.99	44.36	43.98	43.24	53.54	89.80	52.92	93.54
France (102)	158.22	−1.3	129.53	124.96	124.90	127.88	+0.8	3.51	160.35	127.03	125.93	123.83	126.83	168.75	148.06	142.70
Germany (64)	111.97	−3.5	91.67	88.45	88.40	88.40	−1.4	2.59	116.06	91.94	91.16	89.63	89.63	129.68	111.97	111.13
Hong Kong (53)	232.24	−0.2	190.13	183.43	183.35	230.47	−0.3	3.67	232.80	184.42	182.84	179.80	231.05	259.55	176.36	162.00
Ireland (16)	145.54	−4.8	119.14	114.95	114.90	116.55	−2.1	4.63	152.87	121.11	120.07	118.06	119.04	173.71	145.54	163.90
Italy (78)	49.25	−9.0	40.32	38.90	38.88	45.99	−4.9	4.53	54.12	42.88	42.51	41.80	48.38	80.86	49.25	74.05
Japan (473)	108.24	−2.9	88.61	85.49	85.46	85.49	−2.4	1.00	111.47	88.31	87.55	86.10	87.55	140.95	87.27	132.24
Malaysia (69)	238.62	−0.1	195.35	188.46	188.38	230.99	+0.0	2.78	238.75	189.13	187.50	184.38	230.93	250.47	212.49	199.11
Mexico (18)	1243.19	−1.9	1017.75	981.91	981.45	4207.52	−1.9	1.43	1267.81	1004.35	995.74	979.14	4289.46	1789.77	1213.33	1204.31
Netherland (25)	158.66	−1.0	129.90	125.33	125.27	124.03	+1.4	4.57	160.25	126.95	125.86	123.77	122.37	167.29	147.88	141.42
New Zealand (14)	42.97	−0.2	35.18	33.94	33.93	41.57	−0.9	5.47	43.04	34.10	33.81	33.24	41.94	48.52	41.90	47.01
Norway (22)	138.51	−3.1	113.39	109.40	109.35	112.68	−1.2	2.15	142.93	113.23	112.26	110.39	114.02	192.95	138.40	198.62
Singapore (38)	188.81	−2.2	154.57	149.13	149.05	139.26	−1.9	2.38	193.06	152.94	151.63	149.10	141.99	229.63	180.71	193.84
South Africa (61)	182.02	−2.8	149.01	143.76	143.69	153.75	−1.7	3.32	187.23	148.32	147.04	144.59	156.34	263.60	175.15	251.78
Spain (48)	128.51	−5.8	105.21	101.50	101.45	98.82	−1.0	6.05	136.45	108.10	107.17	105.38	99.86	161.72	128.51	156.23
Sweden (30)	166.59	−1.2	136.38	131.58	131.52	136.63	+0.0	3.01	168.61	133.57	132.43	130.22	136.60	200.28	166.59	198.95
Switzerland (60)	114.91	+0.7	94.07	90.77	90.73	94.11	+1.2	2.28	114.07	90.37	89.60	88.11	92.96	117.73	95.99	94.10
United Kingdom (228)	169.19	−3.2	138.51	133.62	133.56	138.51	+0.1	5.32	174.73	138.42	137.22	134.96	138.42	200.07	165.85	180.17
USA (522)	171.22	+0.0	140.17	135.24	135.18	171.22	+0.0	2.96	171.27	135.68	134.52	132.28	171.27	173.39	160.92	157.00
Europe (782)	138.52	−2.8	113.40	109.41	109.36	111.95	−0.2	4.26	142.53	112.91	111.95	110.09	112.15	156.88	138.52	142.29
Nordic (100)	150.15	−2.4	122.92	118.59	118.54	117.49	−0.8	2.55	153.87	121.90	120.85	118.84	118.39	188.52	150.15	189.99
Pacific Basin (715)	112.75	−2.8	92.31	89.06	89.02	90.54	−2.2	1.34	115.81	91.74	90.96	89.44	92.55	141.97	93.70	133.25
Euro – Pacific (1497)	123.18	−2.7	100.84	97.28	97.24	99.27	−1.3	2.87	126.62	100.31	99.44	97.79	100.55	145.21	113.80	137.17
North America (636)	168.34	−0.1	137.81	132.98	132.92	167.10	+0.0	2.97	168.44	133.44	132.31	130.11	167.17	170.49	156.70	155.88
Europe Ex. UK (554)	119.63	−2.6	97.93	94.50	94.46	98.61	−0.4	3.51	122.78	97.27	96.45	94.85	96.95	132.98	119.63	119.75
Pacific Ex. Japan (242)	157.09	−0.8	128.60	124.09	124.03	140.90	−0.8	3.69	158.34	125.43	124.38	122.30	142.17	175.31	149.00	143.15
World Ex. US (1690)	124.52	−2.6	101.94	98.36	98.31	101.27	−1.2	2.66	127.91	101.33	100.47	98.79	102.55	148.91	116.18	139.01
World Ex. UK (1984)	136.48	−1.4	111.73	107.80	107.75	121.16	−0.8	2.51	138.41	109.65	108.72	106.91	122.20	150.58	127.21	140.50
World Ex. So. Af. (2151)	139.11	−1.6	113.88	109.88	109.83	122.42	−0.7	2.79	141.33	111.96	111.01	109.16	123.33	153.05	130.04	143.33
World Ex. Japan (1739)	157.07	−1.1	128.59	124.07	124.02	144.17	−0.2	3.44	158.82	125.82	124.75	122.68	144.41	165.40	153.20	151.66
The World Index (2212)	139.32	−1.6	114.06	110.04	110.00	122.73	−0.8	2.80	141.56	112.15	111.19	109.34	123.66	153.70	130.66	144.04